

COMPOSITE DOCUMENT DATED 25 MARCH 2015

THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt about the Offer (as defined herein) or the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and fully-paid up ordinary shares ("**Shares**") in the capital of Far Eastern Bank Limited ("**FEB**"), you should immediately hand this Composite Document and the accompanying Form of Acceptance and Transfer for Offer Shares ("**FAT**") to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted to any Restricted Jurisdiction (as defined herein).

A letter from the Board of Directors of FEB containing the recommendation of the independent financial adviser appointed by the directors of FEB to advise Independent Shareholders (as defined herein) on the Offer is set out in this Composite Document.

RECOMMENDED VOLUNTARY CONDITIONAL CASH OFFER

By



UNITED OVERSEAS BANK LIMITED

(Company Registration No. 193500026Z)
(Incorporated in the Republic of Singapore)

to acquire all the issued and paid-up ordinary shares in the capital of



FAR EASTERN BANK LIMITED

(Company Registration No. 195800116D)
(Incorporated in the Republic of Singapore)

other than those already held by United Overseas Bank Limited

Independent Financial Adviser
to the Independent Shareholders of Far Eastern Bank Limited



PROVENANCE CAPITAL PTE. LTD.

(Company Registration No. 200309056E)
(Incorporated in Republic of Singapore)

ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M.ON 22 APRIL 2015 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF UNITED OVERSEAS BANK LIMITED.

The procedures for acceptance of the Offer are set out in Appendix 2 to the UOB Letter (as defined herein) contained in this Composite Document and in the accompanying FAT.

CONTENTS

| | |
|---|-----|
| DEFINITIONS | 2 |
| CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS | 7 |
| LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS | |
| 1. Introduction | 8 |
| 2. Recommendation of the IFA | 8 |
| 3. The Recommended Offer | 9 |
| 4. Further Details of the Offer | 10 |
| 5. Procedures for Acceptance | 10 |
| 6. Information on UOB | 11 |
| 7. Information on FEB | 11 |
| 8. Rationale for the Offer | 11 |
| 9. Compulsory Acquisition | 12 |
| 10. UOB's Intentions Relating to FEB | 12 |
| 11. Certain Financial Aspects of the Offer | 12 |
| 12. Disclosure of Shareholdings and Dealings | 13 |
| 13. Confirmation of Financial Resources | 14 |
| 14. Overseas Shareholders | 14 |
| 15. General | 16 |
| 16. UOB Directors' Responsibility Statement | 16 |
| Appendix 1 – Details of the Offer | 17 |
| Appendix 2 – Procedures for Acceptance of the Offer | 21 |
| Appendix 3 – Additional Information on UOB | 23 |
| Appendix 4 – Additional Information on FEB | 27 |
| Appendix 5 – Additional General Information | 28 |
| LETTER FROM THE BOARD OF DIRECTORS OF FEB TO SHAREHOLDERS | |
| 1. Introduction | 30 |
| 2. The Recommended Offer | 31 |
| 3. Exemption Relating to FEB Directors' Recommendation | 31 |
| 4. Advice and Recommendation of the IFA | 31 |
| 5. Action to be Taken by Shareholders | 33 |
| 6. FEB Directors' Responsibility Statement | 33 |
| Appendix A – Letter from Provenance to Independent Shareholders of FEB .. | A-1 |
| Appendix B – Additional General Information | B-1 |
| Appendix C – Audited Consolidated Financial Statements of the FEB Group for FY2014 | C-1 |
| Appendix D – Provisions in the Articles Relating to the Rights of Shareholders in Respect of Capital, Dividends and Voting | D-1 |
| Appendix E – Valuation Report on Far Eastern Bank Building | E-1 |

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Composite Document (including the FAT):

- “Acceptance Condition”* : Has the meaning given to it in Section 3.7 (Minimum Acceptance Condition) of the UOB Letter
- “Accepting Shareholder”* : A Shareholder who validly accepts or has validly accepted the Offer
- “Articles”* : The articles of association of FEB
- “Business Day”* : A day (other than Saturday, Sunday or a public holiday) on which commercial banks are open for business in Singapore
- “Call Option”* : The call option granted by each of the Undertaking Shareholders to UOB, as more particularly described in Section 12.4 (Irrevocable Undertakings) of the UOB Letter
- “Closing Date”* : **5.30 p.m. on 22 April 2015** or such later date(s) as may be announced from time to time by or on behalf of UOB, being the last day for the lodgement of acceptances of the Offer
- “Code”* : The Singapore Code on Take-overs and Mergers
- “Companies Act”* : The Companies Act, Chapter 50 of Singapore
- “Company Securities”* : (a) Shares;
(b) securities which carry voting rights in FEB; or
(c) convertible securities, warrants, options or derivatives in respect of Shares or securities which carry voting rights in FEB
- “Composite Document”* : This document dated 25 March 2015 (including the FAT) and any other document(s) which may, from time to time, be issued for and on behalf of UOB and/or FEB to amend, revise, supplement or update this document
- “Concert Parties”* : Parties acting or presumed to be acting in concert with UOB in connection with the Offer
- “Date of Receipt”* : The date of receipt of the FAT by the FEB Share Registrar on behalf of UOB
- “Despatch Date”* : 25 March 2015, being the date of despatch of this Composite Document

DEFINITIONS

| | | |
|--------------------------------------|---|--|
| <i>“Distributions”</i> | : | Any dividends, rights and other distributions declared, paid or made by FEB in respect of Shares |
| <i>“Encumbrances”</i> | : | All claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever |
| <i>“Entitled Shareholders”</i> | : | Has the meaning given to it in Section 3.6 (No Adjustment for FY2014 Dividend) of the UOB Letter |
| <i>“FAT”</i> | : | Form of Acceptance and Transfer for Offer Shares, which forms part of this Composite Document |
| <i>“FEB” or the “Company”</i> | : | Far Eastern Bank Limited |
| <i>“FEB Directors”</i> | : | Directors of FEB as at the Latest Practicable Date |
| <i>“FEB Group”</i> | : | FEB and its subsidiary |
| <i>“FEB Letter”</i> | : | The letter from the FEB Directors to Shareholders including Appendices A to E thereto, as set out in this Composite Document |
| <i>“FEB Share Registrar”</i> | : | The share registrar of FEB, in its capacity as receiving agent of UOB, unless the context otherwise requires |
| <i>“FY”</i> | : | Financial year ended or ending 31 December |
| <i>“FY2014 Dividend”</i> | : | Has the meaning given to it in Section 3.6 (No Adjustment for FY2014 Dividend) of the UOB Letter |
| <i>“FY2014 Dividend Record Date”</i> | : | 5.00 p.m. on 6 April 2015 |
| <i>“IFA” or “Provenance”</i> | : | Provenance Capital Pte. Ltd., the independent financial adviser appointed by the FEB Directors to advise Independent Shareholders on the Offer |
| <i>“IFA Letter”</i> | : | The letter dated 11 March 2015 from Provenance to the Independent Shareholders in respect of the Offer, as set out in Appendix A to the FEB Letter |
| <i>“Independent Shareholders”</i> | : | Shareholders of FEB other than UOB and its Concert Parties |
| <i>“Irrevocable Undertakings”</i> | : | The irrevocable undertakings dated 3 March 2015 and 4 March 2015 given by the Undertaking Shareholders in favour of UOB, as more particularly described in Section 12.4 (Irrevocable Undertakings) of the UOB Letter |

DEFINITIONS

| | | |
|-----------------------------------|---|---|
| <i>“Joint Announcement”</i> | : | The announcement dated 11 March 2015 jointly released by UOB and FEB in respect of the Offer |
| <i>“Joint Announcement Date”</i> | : | 11 March 2015, being the date of the Joint Announcement |
| <i>“Latest Practicable Date”</i> | : | 20 March 2015, being the latest practicable date prior to the printing of this Composite Document |
| <i>“Offer”</i> | : | The recommended voluntary conditional cash offer by UOB to acquire the Offer Shares on the terms and subject to the conditions set out in this Composite Document (including the FAT) as such offer may be amended, extended and revised from time to time by or on behalf of UOB |
| <i>“Offer Period”</i> | : | The period from the Joint Announcement Date until the date the Offer is declared by UOB to have closed or lapsed |
| <i>“Offer Price”</i> | : | S\$3.51 in cash for each Offer Share |
| <i>“Offer Shares”</i> | : | All the issued Shares to which the Offer relates, as more particularly described in Section 3.3 (Offer Shares) of the UOB Letter |
| <i>“Property”</i> | : | The property at 156 Cecil Street, Singapore 069544, on which the Far Eastern Bank Building is located, as more particularly described in the Valuation Report |
| <i>“Reference Period”</i> | : | The period commencing three (3) months prior to the Joint Announcement Date and ending on the Latest Practicable Date |
| <i>“Register”</i> | : | The Register of Members of FEB, as maintained by the FEB Share Registrar |
| <i>“Restricted Jurisdiction”</i> | : | Has the meaning given to it in Section 14.1 of the UOB Letter |
| <i>“SGX-ST”</i> | : | Singapore Exchange Securities Trading Limited |
| <i>“Shareholders”</i> | : | Holder of the Offer Shares whose names are set out in the Register |
| <i>“Shares”</i> | : | Ordinary shares in the capital of FEB |
| <i>“SIC”</i> | : | Securities Industry Council of Singapore |
| <i>“Undertaking Shareholders”</i> | : | Aik Siew Tong Limited, Lee Chin Chuan, Melodies Limited, Ng Chwee Hwei and Ong Chu Meng |

DEFINITIONS

| | | |
|---------------------------|---|--|
| “UOB” | : | United Overseas Bank Limited |
| “UOB Directors” | : | Directors of UOB as at the Latest Practicable Date |
| “UOB Group” | : | UOB and its subsidiaries |
| “UOB Letter” | : | The letter from the UOB Directors to Shareholders including Appendices 1 to 5 thereto, as set out in this Composite Document |
| “UOB Securities” | : | (a) UOB Shares; (b) securities which carry substantially the same rights as UOB Shares; and (c) convertible securities, warrants, options and derivatives in respect of any UOB Shares or such securities in (b) |
| “UOB Shares” | : | Ordinary shares in the capital of UOB |
| “Valuation Report” | : | The valuation report prepared by the Valuer in respect of the Property, as set out in Appendix E to the FEB Letter |
| “Valuer” | : | Colliers International Consultancy & Valuation (Singapore) Pte Ltd |
| “\$” or “S\$” and “cents” | : | Singapore dollars and cents, respectively |
| “%” or “per cent.” | : | Per centum or percentage |

Acting in concert. The term “**acting in concert**” shall have the meaning ascribed to it in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by UOB shall include the release of an announcement by UOB or advertising agents, for and on behalf of UOB, to the press or the delivery of or transmission by SGXNET (via UOB’s counter on SGXNET) or otherwise of an announcement to the SGX-ST, or by posting on UOB’s website at www.uobgroup.com. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

Genders, etc. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Composite Document are inserted for convenience only and shall be ignored in construing this Composite Document.

Rounding. Any discrepancies in figures included in this Composite Document between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Composite Document may not be an arithmetic aggregation of the figures that precede them.

DEFINITIONS

Shareholders. References to “you”, “your” and “yours” in this Composite Document are, as the context so determines, to Shareholders.

Statutes. Any reference in this Composite Document to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the Code or any modification thereof and used in this Composite Document shall, where applicable, have the meaning assigned to it under the Companies Act or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

Subsidiary and Related Corporation. References to “subsidiary” and “related corporation” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Time and Date. Any reference to a time of the day and date in this Composite Document shall be a reference to Singapore time and date, respectively, unless otherwise stated.

Total number of issued Shares. Unless otherwise stated, references in this Composite Document to the total number of issued Shares are based on 100,010,566 Shares in issue as at the Latest Practicable Date, unless otherwise stated.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Composite Document are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect UOB’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Shareholders and investors should not place undue reliance on such forward-looking statements, and neither UOB nor FEB undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS



25 March 2015

To: **The Shareholders of Far Eastern Bank Limited**

Dear Sir/Madam

RECOMMENDED VOLUNTARY CONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED FOR THE OFFER SHARES

1. INTRODUCTION

1.1 **Joint Announcement.** On the Joint Announcement Date, UOB and FEB jointly announced that the boards of directors of UOB and FEB had agreed to the terms of a recommended voluntary conditional cash offer to be made by UOB to acquire all the Offer Shares.

A copy of the Joint Announcement is available on the website of the SGX-ST at www.sgx.com and UOB's website at www.uobgroup.com. The Joint Announcement was also advertised in The Business Times on 13 March 2015.

1.2 **The Composite Document.** This Composite Document contains, amongst other things:

- (a) the formal Offer by UOB to acquire all the Offer Shares, as set out in the UOB Letter; and
- (b) the FEB Letter (including the IFA Letter).

Shareholders are urged to read this Composite Document (including the FAT) carefully.

1.3 **Holdings of UOB.** As at the Latest Practicable Date, UOB owns 78,884,677 Shares, representing approximately 78.88% of the total number of issued Shares.

2. RECOMMENDATION OF THE IFA

Provenance has been appointed by the FEB Directors as the IFA to advise Independent Shareholders on the Offer. Provenance is of the opinion that the financial terms of the Offer are fair and reasonable, and recommends that Independent Shareholders accept the Offer.

Shareholders should read and carefully consider the advice and recommendation of the IFA in its entirety as set out in the IFA Letter.

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

3. THE RECOMMENDED OFFER

- 3.1 **Offer.** UOB hereby makes the Offer to acquire all the Offer Shares in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in this Composite Document (including the FAT).
- 3.2 **Offer Price.** The consideration for each Offer Share is as follows:
- For each Offer Share: S\$3.51 in cash**
- 3.3 **Offer Shares.** The Offer will be extended to all the Shares other than those already held by UOB (the “**Offer Shares**”). For the avoidance of doubt, Offer Shares shall include any Shares owned, controlled or agreed to be acquired by the Concert Parties.
- 3.4 **No Encumbrances.** The Offer Shares are to be acquired (a) fully paid, (b) free from all Encumbrances and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Joint Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any) which may be announced, declared, paid or made by FEB on or after the Joint Announcement Date, but excluding the FY2014 Dividend.
- 3.5 **Adjustment for Distributions.** In the event any Distribution (other than the FY2014 Dividend) is announced, declared, paid or made by FEB on or after the Joint Announcement Date to an Accepting Shareholder, UOB reserves the right to reduce the Offer Price payable to such Accepting Shareholder by the amount of such Distribution.
- 3.6 **No Adjustment for FY2014 Dividend.** As stated in FEB’s summary of financial statements for FY2014 which was published in The Business Times on 23 February 2015, the FEB Directors have proposed that a final one-tier tax exempt dividend of S\$0.02 per Share (the “**FY2014 Dividend**”) be paid to Shareholders for FY2014. The proposed FY2014 Dividend is subject to the approval of Shareholders to be sought at the forthcoming annual general meeting of FEB (the “**AGM**”) to be held on 23 April 2015. If approved by Shareholders, it is expected that the FY2014 Dividend will be paid to Shareholders whose names appear on the Register as at the FY2014 Dividend Record Date or transferees whose registrable transfers have been received by the FEB Share Registrar by the FY2014 Dividend Record Date (the “**Entitled Shareholders**”). If approved by Shareholders at the AGM, the FY2014 Dividend will be paid on 28 April 2015.

As the Offer Shares to be acquired by UOB under the Offer exclude the right to receive the FY2014 Dividend, Accepting Shareholders will retain the benefit of any FY2014 Dividend paid by FEB to Entitled Shareholders in respect of the Accepting Shareholders’ Offer Shares and there will be no reduction in the Offer Price in respect of the FY2014 Dividend pursuant to Section 3.5 (Adjustment for Distributions) above. Accordingly:

- (a) in the event UOB becomes entitled to receive, and receives, the FY2014 Dividend in respect of any Offer Shares validly tendered by an Accepting Shareholder in acceptance of the Offer, UOB will pay an amount equal to the FY2014 Dividend in respect of such Offer Shares to such Accepting Shareholder within 14 days of the receipt by UOB of the FY2014 Dividend from FEB; and

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

- (b) Entitled Shareholders will receive the FY2014 Dividend from FEB and therefore will not be entitled to receive any additional amount from UOB under the Offer or otherwise in respect of any Offer Shares tendered by them in acceptance of the Offer.

- 3.7 **Minimum Acceptance Condition.** The Offer will be conditional upon UOB having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which represents **not less than 90% of the Offer Shares** as at the close of the Offer (the “**Acceptance Condition**”).

UOB reserves the right to waive the Acceptance Condition or reduce such condition to a lower level (but which in any event will result in UOB holding more than 50% of the total voting rights attributable to the issued Shares), subject to the approval of the SIC. In the event that the Acceptance Condition is revised, the revised Offer shall remain open for at least 14 days following such revision and Shareholders who have accepted the Offer will be permitted to withdraw their acceptances within eight (8) days of notification of such revision.

The Offer will be unconditional in all other respects.

- 3.8 **Revision of Terms of the Offer.** UOB reserves the right to revise the terms of the Offer in accordance with the Code.

- 3.9 **Warranty.** A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to UOB that (a) he is the legal and beneficial owner of such Offer Shares, and is and will be entitled and able to transfer the legal and beneficial title to such Offer Shares; and (b) he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (i) fully paid, (ii) free from all Encumbrances, and (iii) together with all rights, benefits, entitlements and advantages attached thereto as at the Joint Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any) which may be announced, declared, paid or made by FEB on or after the Joint Announcement Date, but excluding the FY2014 Dividend.

4. FURTHER DETAILS OF THE OFFER

Appendix 1 to this UOB Letter sets out further details on:

- (a) the duration of the Offer;
- (b) the settlement of the consideration for the Offer;
- (c) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and
- (d) the right of withdrawal of acceptances of the Offer.

5. PROCEDURES FOR ACCEPTANCE

Appendix 2 to this UOB Letter sets out the procedures for acceptance of the Offer by a Shareholder.

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

6. INFORMATION ON UOB

- 6.1 **UOB.** UOB is a company incorporated in Singapore on 6 August 1935 and is listed on the Main Board of the SGX-ST. Its principal activities include personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management and insurance.

As at the Latest Practicable Date, UOB has an issued and paid-up share capital of S\$3,944,232,570.94 comprising 1,614,543,954 issued UOB Shares (including 12,017,140 UOB Shares held in treasury) and a market capitalisation of approximately S\$36.7 billion.

As at the Latest Practicable Date, the UOB Directors are Messrs Wee Cho Yaw, Hsieh Fu Hua, Wee Ee Cheong, Wong Meng Meng, Franklin Leo Lavin, Willie Cheng Jue Hiang, James Koh Cher Siang and Ong Yew Huat, and Mrs Lim Hwee Hua.

- 6.2 **Additional Information.** Additional information on UOB is set out in Appendix 3 to this UOB Letter.

7. INFORMATION ON FEB

- 7.1 **FEB.** FEB is a public unlisted company incorporated in Singapore on 21 August 1958. It is a banking subsidiary of UOB and offers commercial banking and financial services.

As at the Latest Practicable Date, FEB has an issued and paid-up share capital of S\$100,010,566.00 comprising 100,010,566 issued Shares. As at the Latest Practicable Date, FEB does not hold any Shares in treasury.

As at the Latest Practicable Date, the FEB Directors are Messrs Wee Cho Yaw, Hsieh Fu Hua, Wee Ee Cheong, Wong Meng Meng and Franklin Leo Lavin, all of whom are also UOB Directors.

- 7.2 **Additional Information.** Additional information on FEB is set out in Appendix 4 to this UOB Letter.

8. RATIONALE FOR THE OFFER

- 8.1 **Intention to Privatisise FEB.** As at the Latest Practicable Date, UOB owns approximately 78.88% of the total number of issued Shares and is the majority shareholder of FEB. UOB is making the Offer with a view to privatising FEB and making FEB its wholly-owned subsidiary.

- 8.2 **Greater Management Flexibility.** UOB is of the view that privatising FEB will provide UOB with greater control and management flexibility to integrate FEB's operations into UOB resulting in increased efficiencies. In addition, the customers of FEB will benefit from being part of a larger bank.

- 8.3 **Opportunity for Minority Shareholders to Realise Their Investment.** The Offer will provide Shareholders with the opportunity to realise their entire investment in the Shares and to unlock value in their unlisted and illiquid Shares.

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

9. COMPULSORY ACQUISITION

If the Acceptance Condition is met, UOB would be entitled to and intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer.

Pursuant to Section 215(1) of the Companies Act, if UOB receives valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of issued Shares, UOB would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the “**Dissenting Shareholders**”), at a price equal to the Offer Price. For the purpose of determining the 90% threshold under Section 215(1) of the Companies Act, Shares held by UOB, its related corporations and their respective nominees as at the date of the Offer shall not be taken into account.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require UOB to acquire their Shares at the Offer Price in the event that UOB, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by UOB, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude Shares held by UOB, its related corporations or their respective nominees. Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice.

10. UOB'S INTENTIONS RELATING TO FEB

After FEB becomes a wholly-owned subsidiary of UOB, UOB intends to integrate FEB's operations into UOB, subject to the relevant approvals and taking into account the interests of FEB's customers and employees, financial considerations and operational efficiencies. UOB also retains the flexibility at any time to consider any options or opportunities which may present themselves in relation to FEB as part of the UOB Group.

Save as disclosed above, UOB has no intention to (a) introduce any major changes to the existing businesses of the FEB Group, (b) redeploy the fixed assets of the FEB Group or (c) discontinue employment of existing employees of the FEB Group, in each case, other than in the ordinary course of business.

11. CERTAIN FINANCIAL ASPECTS OF THE OFFER

The Offer Price represents the following premia/(discounts) over/(to) the net tangible assets (“**NTA**”) per Share as set out below:

| | | NTA per Share (S\$) | Premium/(Discount) of Offer Price over/(to) NTA per Share (%) |
|-----|---|------------------------------------|--|
| (a) | Audited NTA per Share as at 31 December 2013 | 1.95 | 80.0 |
| (b) | Audited NTA per Share as at 31 December 2014 | 1.95 | 80.0 |
| (c) | Revalued NTA per Share as at 31 December 2014 as set out in Section 7.2.2 of the IFA Letter | 3.60 | (2.50) |
| (d) | Adjusted NTA per Share as at 31 December 2014 as set out in Section 7.2.2 of the IFA Letter | 3.58 | (1.96) |

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

12. DISCLOSURE OF SHAREHOLDINGS AND DEALINGS

- 12.1 **Holdings of Company Securities.** As at the Latest Practicable Date, UOB owns an aggregate of 78,884,677 Shares, representing approximately 78.88% of the total number of issued Shares.
- 12.2 **No Other Holdings and Dealings.** Save as disclosed in this UOB Letter, as at the Latest Practicable Date and based on responses received pursuant to enquiries that UOB has made, none of UOB and its Concert Parties:
- (a) owns, controls or has agreed to acquire any Company Securities; or
 - (b) has dealt for value in any Company Securities during the Reference Period.
- 12.3 **Other Arrangements.** As at the Latest Practicable Date and based on the responses received pursuant to enquiries that UOB has made, none of UOB and its Concert Parties has:
- (b) granted any security interest relating to any Company Securities to another person, whether through a charge, pledge or otherwise;
 - (c) borrowed any Company Securities from another person (excluding borrowed Company Securities which have been on-lent or sold); or
 - (d) lent any Company Securities to another person.
- 12.4 **Irrevocable Undertakings.** As at the Latest Practicable Date, the Undertaking Shareholders have each given irrevocable undertakings to UOB (the “**Irrevocable Undertakings**”) whereby each of the Undertaking Shareholders has undertaken, *inter alia*, to accept the Offer in respect of the Shares owned by each of them respectively prior to and up to the close of the Offer.

The names of the Undertaking Shareholders and the number of Shares owned by them as at the Latest Practicable Date are as follows:

| Name | Number of Shares | Percentage of total issued Shares (%) |
|-----------------------|------------------|---------------------------------------|
| Aik Siew Tong Limited | 2,315,279 | 2.31 |
| Lee Chin Chuan | 679,384 | 0.68 |
| Melodies Limited | 2,000,212 | 2.00 |
| Ng Chwee Hwei | 65,648 | 0.07 |
| Ong Chu Meng | 336,779 | 0.34 |
| Total | 5,397,302 | 5.39 |

Each of the Undertaking Shareholders has also granted to UOB during the period of 100 days commencing from the date of the Irrevocable Undertakings, a call option (the “**Call Option**”) for UOB to purchase from each Undertaking Shareholder all of the Shares owned by each of them respectively at the Offer Price. The Shares are to be acquired free from

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

all Encumbrances and together with all rights, benefits, entitlements and advantages attached thereto on terms similar to that under the Offer as set out in Sections 3.4 (No Encumbrances), 3.5 (Adjustment for Distributions) and 3.6 (No Adjustment for FY2014 Dividend) of this UOB Letter, which terms shall apply *mutatis mutandis* to the Call Option. The Call Option may be exercised by UOB in the event that the Shares owned by the Undertaking Shareholders are not acquired by UOB pursuant to the Offer for any reason.

Each of the Irrevocable Undertakings shall terminate on (a) the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the relevant Undertaking Shareholder, (b) the date on which the Call Option lapses, or (c) the date of settlement of the Shares acquired by UOB under the Call Option, whichever is the earliest.

As at the Latest Practicable Date, save as disclosed in this UOB Letter, none of UOB and its Concert Parties has received any irrevocable undertaking from any party to accept or reject the Offer.

13. CONFIRMATION OF FINANCIAL RESOURCES

Ernst & Young LLP confirms that sufficient financial resources are available to UOB to satisfy full acceptances of the Offer by the holders of the Offer Shares.

14. OVERSEAS SHAREHOLDERS

- 14.1 **Overseas Jurisdictions.** The release, publication or distribution of this Composite Document (including the FAT) in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Composite Document (including the FAT) is released, published or distributed should inform themselves about and observe such restrictions.

Copies of this Composite Document (including the FAT) are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the law of that jurisdiction ("**Restricted Jurisdiction**") and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.

The Offer (unless otherwise determined by UOB and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities within any Restricted Jurisdiction.

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

- 14.2 **Overseas Shareholders.** The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Composite Document (including the FAT) may not be sent.

It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and UOB, its related corporations, the FEB Share Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as UOB, its related corporations, the FEB Share Registrar and/or any person acting on their behalf may be required to pay. In accepting the Offer, each Overseas Shareholder represents and warrants to UOB that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

- 14.3 **Copies of the Composite Document (including the FAT).** Where there are potential restrictions on sending this Composite Document (including the FAT) to any overseas jurisdiction, UOB reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain a copy of this Composite Document (including the FAT) and any related documents during normal business hours and up to the Closing Date, from the office of the FEB Share Registrar at 80 Raffles Place, UOB Plaza 2, #04-20 Singapore 048624. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write to UOB c/o the FEB Share Registrar at the above-stated address to request for the Composite Document (including the FAT) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five Business Days prior to the Closing Date.
- 14.4 **Notice.** UOB reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement on UOB’s counter on SGXNET or on UOB’s website at www.uobgroup.com, or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.

LETTER FROM THE BOARD OF DIRECTORS OF UOB TO SHAREHOLDERS

15. GENERAL

- 15.1 **Governing Law and Jurisdiction.** The Offer, this Composite Document (including the FAT), all acceptances of the Offer, all contracts made pursuant thereto and all actions taken or deemed to be taken or made in connection with any of the foregoing shall be governed by, and construed in accordance with, the laws of Singapore. UOB and each Accepting Shareholder submit to the exclusive jurisdiction of the courts of Singapore.
- 15.2 **No Third Party Rights.** Unless expressly provided to the contrary in this Composite Document (including the FAT), a person who is not a party to any contracts made pursuant to the Offer and this Composite Document (including the FAT) has no rights under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore to enforce any term of such contracts. Notwithstanding any term herein, the consent of any third party is not required for any subsequent agreement by the parties hereto to amend or vary (including any release or compromise of any liability) or terminate such contracts. Where third parties are conferred rights under such contracts, those rights are not assignable or transferable.
- 15.3 **Valid Acceptances.** UOB reserves the right to treat acceptances of the Offer as valid if received by UOB at any place or places determined by UOB otherwise than as stated herein or in the FAT, or if made otherwise than in accordance with the provisions herein and the instructions printed on the FAT.
- 15.4 **Accidental Omission.** Accidental omission to despatch this Composite Document (including the FAT) or any notice or announcement required to be given under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made or should be made, shall not invalidate the Offer in any way.
- 15.5 **Additional General Information.** Additional general information in relation to the Offer is provided in Appendix 5 to this UOB Letter.

16. UOB DIRECTORS' RESPONSIBILITY STATEMENT

The UOB Directors (including those who may have delegated detailed supervision of this UOB Letter) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this UOB Letter are fair and accurate and that no material facts have been omitted from this UOB Letter, and they jointly and severally accept responsibility accordingly.

Where any information in this UOB Letter has been extracted or reproduced from published or publicly available sources (including without limitation, information relating to the FEB Group) or obtained from FEB, the sole responsibility of the UOB Directors has been to ensure, through reasonable enquiries, that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this UOB Letter.

Yours faithfully
For and on behalf of
United Overseas Bank Limited

Hsieh Fu Hua
Chairman

APPENDIX 1 – DETAILS OF THE OFFER

1. DURATION OF THE OFFER

1.1 **First Closing Date.** The Offer is open for acceptance by Shareholders for 28 days from the Despatch Date, unless the Offer is earlier withdrawn with the consent of the SIC and every person released from any obligation incurred thereunder or unless the Offer is extended in accordance with the Code. **Accordingly, the Offer will close at 5.30 p.m. on 22 April 2015 or such later date(s) as may be announced from time to time by or on behalf of UOB.**

1.2 **Extension of Closing Date.** UOB reserves the right to announce an extension of the Closing Date. If the Offer is extended and:

- (a) the Offer is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or
- (b) the Offer is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, UOB must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.

1.3 **No Obligation to Extend the Offer.** UOB is not obliged to extend the Offer if the condition of the Offer as set out in Section 3.7 (Minimum Acceptance Condition) of this UOB Letter is not fulfilled by the Closing Date.

1.4 **Offer to Remain Open for at least 14 Days After Being Declared Unconditional as to Acceptances.** Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period (the "**Rule 22.6 Period**") of not less than 14 days after the date on which the Offer would otherwise have closed. The Rule 22.6 Period allows Shareholders who have not accepted the Offer the opportunity to tender their acceptances.

The requirement for the Rule 22.6 Period does not apply if, before the Offer has become or is declared unconditional as to acceptances, UOB gives Shareholders at least 14 days' notice in writing (the "**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

- (a) UOB may not give a Shut-Off Notice in a competitive situation; and
- (b) UOB may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for FEB has been announced.

If a declaration that the Offer is unconditional is confirmed in accordance with paragraph 4.2(a) (Right of Withdrawal of Shareholders) of this Appendix 1, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

1.5 **Final Day Rule.** The Offer (whether revised or not) will not be capable:

- (a) of becoming or being declared unconditional as to acceptances after 5.30 p.m. on the 60th day after the Despatch Date; or

APPENDIX 1 – DETAILS OF THE OFFER

- (b) of being kept open after the expiry of such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,

provided that UOB may extend the Offer beyond such 60-day period with the SIC's prior consent (the "**Final Day Rule**"). The SIC will normally grant such permission if a competing offer has been announced.

- 1.6 **Revision.** UOB reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. If the Offer is revised, the Offer will remain open for acceptance for at least 14 days from the date of despatch of the written notification of the revision to Shareholders. The benefit of any revised Offer will be made available to each of the Shareholders who had previously accepted the Offer.

2. SETTLEMENT FOR THE OFFER

- 2.1 **When Settlement Due.** Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms and the receipt by UOB from Accepting Shareholders of valid acceptances and all relevant documents required by UOB in accordance with the instructions given in this Composite Document (including the FAT), remittances for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, to the Accepting Shareholders (or in the case of joint Accepting Shareholders, to the one first named in the Register) and sent to the address stated in the respective FATs or, if none is set out, to the respective addresses maintained in the Register, by ordinary post at the risk of the Accepting Shareholders as soon as practicable and in any case:

- (a) in respect of valid acceptances received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects, within 10 days of that date; or
- (b) in respect of valid acceptances received **after** the Offer becomes or is declared to be unconditional in all respects but before the Offer closes, within 10 days of the date of such receipt.

- 2.2 **Method of Settlement.** Payment of the Offer Price will be made by way of Singapore Dollar cheques drawn on a bank in Singapore for the appropriate amounts.

- 2.3 **Payment of FY2014 Dividend.** In the event UOB becomes entitled to receive, and receives, the FY2014 Dividend in respect of any Offer Shares validly tendered by Accepting Shareholders in acceptance of the Offer, UOB will pay an amount equal to the FY2014 Dividend in respect of such Offer Shares to such Accepting Shareholders (or in the case of joint Accepting Shareholders, to the one first named in the Register) by means of a Singapore Dollar cheque drawn on a bank in Singapore and sent by ordinary post to the address stated in the respective FATs or, if none is set out, to the respective addresses maintained in the Register, at the risk of such Accepting Shareholders within 14 days of the receipt by UOB of the FY2014 Dividend from FEB.

APPENDIX 1 – DETAILS OF THE OFFER

3. ANNOUNCEMENTS

3.1 **Timing and Contents.** Pursuant to Rule 28.1 of the Code, by 8.00 a.m. on the dealing day (the “**Relevant Day**”) immediately after the Closing Date or the day on which the Offer becomes or is declared to be unconditional as to acceptances or is revised or extended (if applicable), UOB will announce (the “**Level of Acceptance Announcement**”) via UOB’s counter on SGXNET and on UOB’s website at www.uobgroup.com, and simultaneously inform the SGX-ST, of the total number of Shares (as nearly as practicable):

- (a) for which valid acceptances of the Offer have been received;
- (b) held by UOB and any of its Concert Parties before the Offer Period; and
- (c) acquired or agreed to be acquired by UOB and any of its Concert Parties during the Offer Period,

and will specify the percentages of the total number of issued Shares represented by such numbers.

3.2 **Valid Acceptances for Offer Shares.** Subject to Section 15.3 (Valid Acceptances) of this UOB Letter, in computing the number of Offer Shares represented by acceptances received by UOB, UOB will, at the time of making an announcement, take into account acceptances which are valid in all respects.

Acceptances of the Offer will only be treated as valid for the purposes of the acceptance condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

3.3 **Announcements.** In this Composite Document, references to the making of any announcement or the giving of notice by UOB include the release of an announcement to the press or the delivery of or transmission by SGXNET (via UOB’s counter on SGXNET) or otherwise of an announcement to the SGX-ST, or by posting on UOB’s website at www.uobgroup.com. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

4. RIGHT OF WITHDRAWAL OF ACCEPTANCES OF THE OFFER

4.1 **Acceptances Irrevocable.** Except as expressly provided in this Composite Document and the Code, acceptances of the Offer shall be irrevocable.

4.2 **Right of Withdrawal of Shareholders.** A Shareholder who has accepted the Offer may:

- (a) withdraw his acceptance immediately if the Offer has become or been declared to be unconditional but UOB fails to comply with any of the requirements set out in paragraph 3.1 (Timing and Contents) of this Appendix 1 by 3.30 p.m. on the Relevant Day. Subject to Rule 22.9 of the Code in relation to the Final Day Rule, UOB may terminate this right of withdrawal not less than eight days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by making the requisite Level of Acceptance Announcement. For the purposes of paragraph 1.4 (Offer to Remain Open for at least 14 Days After Being Declared

APPENDIX 1 – DETAILS OF THE OFFER

Unconditional as to Acceptances) of this Appendix 1, the period of 14 days first referred to therein shall run from the date of such confirmation (if given) or the date on which the Offer would otherwise have expired, whichever is later;

- (b) withdraw his acceptance after 14 days from the first Closing Date, if the Offer has not by then become or been declared unconditional as to acceptances. Such entitlement to withdraw may be exercisable until such time as the Offer becomes or is declared unconditional;
- (c) withdraw his acceptance immediately if a competing offer becomes or is declared unconditional as to acceptances. This right of withdrawal also applies in the converse situation i.e. if the Offer becomes or is declared unconditional, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance for such competing offer immediately; and
- (d) in the event the Acceptance Condition is revised, withdraw his acceptance within eight (8) days from the date of notification by UOB to revise the Acceptance Condition.

4.3 **Method of Withdrawal.** To withdraw his acceptance, a Shareholder who has accepted the Offer must give written notice to UOB c/o the Share Registrar of Far Eastern Bank Limited at 80 Raffles Place, UOB Plaza 2, #04-20 Singapore 048624.

A notice of withdrawal shall be effective when actually received by UOB provided that the notice is signed by the Accepting Shareholder or his agent duly appointed in writing and evidence of whose appointment is produced in a form satisfactory to UOB.

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE OF THE OFFER

1. Acceptance. If you wish to accept the Offer, you should:

- (a) complete the FAT in accordance with the provisions and instructions in this Composite Document and the FAT (which provisions and instructions shall be deemed to form part of the terms of the Offer). In particular, you must state in Part A of the FAT the number of Offer Shares in respect of which you wish to accept the Offer. If you:
- (i) do not specify any number in the FAT; or
 - (ii) specify a number which exceeds the number of Offer Shares represented by the attached share certificate(s) accompanying the FAT,

you shall be deemed to have accepted the Offer in respect of all the Offer Shares represented by the share certificate(s) accompanying the FAT;

- (b) sign the FAT in accordance with the instructions in this Composite Document and the FAT; and
- (c) deliver:
- (i) the completed and signed FAT in its entirety (no part may be detached or otherwise mutilated);
 - (ii) the share certificate(s), other document(s) of title and/or other relevant document(s) required by UOB relating to the Offer Shares in respect of which you wish to accept the Offer. **If you are recorded in the Register as holding Offer Shares but do not have the relevant share certificate(s) relating to such Offer Shares, you, at your own risk and cost and expense, are required to procure FEB to issue such share certificate(s) and then deliver such share certificate(s) in accordance with the procedures set out in this Composite Document and the FAT;** and
 - (iii) where such Offer Shares are not registered in your name, a transfer form, duly executed by the person in whose name such share certificate(s) is/are registered, with the particulars of transferee left blank (to be completed by UOB or a person authorised by it),

either **by hand**, or **by post** in the enclosed pre-addressed envelope at your own risk, to United Overseas Bank Limited c/o the Share Registrar of Far Eastern Bank Limited at 80 Raffles Place, UOB Plaza 2, #04-20 Singapore 048624, **in either case so as to arrive not later than 5.30 p.m. on the Closing Date.** If the completed and signed FAT is delivered by post to UOB, please use the enclosed pre-addressed envelope. It is your responsibility to affix adequate postage on the said envelope.

Acceptances received after 5.30 p.m. on the Closing Date will be rejected.

- 2. Receipt.** No acknowledgement of receipt of any FAT, share certificate(s), other document(s) of title, transfer form(s) or any other accompanying document(s) will be given by UOB or the FEB Share Registrar.

APPENDIX 2 – PROCEDURES FOR ACCEPTANCE OF THE OFFER

3. **Return of Offer Shares.** In the event that the Offer does not become or is not declared unconditional in all respects in accordance with its terms, the FAT, share certificate(s) and/or any other accompanying document(s) will be returned to you (or in the case of accepting joint Shareholders to the one first named in the Register) at the address stated in the FAT or, if none is set out, to the address maintained in the Register, at your risk, as soon as possible but, in any event, not later than 14 days from the lapse of the Offer.

4. General

4.1 **Discretion and Disclaimer.** If you wish to accept the Offer, it is your responsibility to ensure that the FAT is properly completed and executed in all respects and is submitted with original signature(s) and that all required documents (where applicable) are provided. UOB and/or the FEB Share Registrar will be entitled, at their sole and absolute discretion, to:

- (a) reject or treat as valid any acceptance of the Offer through the FAT which is not entirely in order or which does not comply with the terms of this Composite Document (including the FAT) or which is otherwise incomplete, incorrect, signed but not in its originality, or invalid in any respect; and
- (b) treat acceptances of the Offer as valid if received by UOB at any place or places determined by UOB otherwise than as stated in this Composite Document (including the FAT) or if made otherwise than in accordance with the provisions of this Composite Document (including the FAT).

Any decision to reject or treat as valid any acceptance will be final and binding and none of UOB (or, for the avoidance of doubt, any of UOB's related corporations) and/or the FEB Share Registrar accepts any responsibility or liability for such a decision, including the consequences of such a decision.

4.2 **Acceptances received on Saturday, Sunday or public holiday.** Acceptances in the form of the FAT received by the FEB Share Registrar, for and on behalf of UOB, on a Saturday, Sunday or public holiday will only be processed and validated on the next Business Day.

4.3 **Correspondences.** All communications, certificates, notices, documents and remittances to be delivered or sent to you (or in the case of accepting joint Shareholders, to the one first named in the Register) will be sent by ordinary post to the address stated in the FAT or, if none is set out, to the address maintained in the Register at the risk of the person(s) entitled thereto.

4.4 **Evidence of Title.** Delivery of the duly completed and signed FAT, together with the relevant share certificate(s) and/or other documents of title and/or other relevant documents required by UOB, to UOB and/or the FEB Share Registrar shall be conclusive evidence in favour of UOB (or its nominee) and the FEB Share Registrar of the right and title of the person(s) signing it to deal with the same and with the Offer Shares to which it relates.

4.5 **Loss or Delay in Transmission.** UOB and the FEB Share Registrar shall not be liable for any loss or delay in transmission of the FAT or the share certificate(s) or other document(s) of title.

4.6 **Acceptance Irrevocable.** The acceptance of the Offer made by you using the FAT shall be irrevocable and any instructions or subsequent FAT(s) received by the FEB Share Registrar after the FAT has been received shall be disregarded.

APPENDIX 3 – ADDITIONAL INFORMATION ON UOB

1. UOB DIRECTORS

The names, addresses and descriptions of the UOB Directors as at the Latest Practicable Date are set out below:

| Name | Address | Description |
|---------------------------|---|--|
| Dr Wee Cho Yaw | 80 Raffles Place UOB Plaza Singapore 048624 | Chairman Emeritus and Adviser |
| Mr Hsieh Fu Hua | 80 Raffles Place UOB Plaza Singapore 048624 | Chairman |
| Mr Wee Ee Cheong | 80 Raffles Place UOB Plaza Singapore 048624 | Deputy Chairman and Chief Executive Officer |
| Mr Wong Meng Meng | 80 Raffles Place UOB Plaza Singapore 048624 | Non-independent and Non-executive Director |
| Mr Franklin Leo Lavin | 80 Raffles Place UOB Plaza Singapore 048624 | Independent and Non-executive Director |
| Mr Willie Cheng Jue Hiang | 80 Raffles Place UOB Plaza Singapore 048624 | Independent and Non-executive Director |
| Mr James Koh Cher Siang | 80 Raffles Place UOB Plaza Singapore 048624 | Independent and Non-executive Director |
| Mr Ong Yew Huat | 80 Raffles Place UOB Plaza Singapore 048624 | Independent and Non-executive Director |
| Mrs Lim Hwee Hua | 80 Raffles Place UOB Plaza Singapore 048624 | Independent and Non-executive Director |

2. PRINCIPAL ACTIVITIES AND SHARE CAPITAL OF UOB

UOB is a company incorporated in Singapore on 6 August 1935 and is listed on the Main Board of the SGX-ST. Its principal activities include personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management and insurance.

As at the Latest Practicable Date, UOB has an issued and paid-up share capital of S\$3,944,232,570.94 comprising 1,614,543,954 issued UOB Shares (including 12,017,140 UOB Shares held in treasury) and a market capitalisation of approximately S\$36.7 billion.

APPENDIX 3 – ADDITIONAL INFORMATION ON UOB

3. SUMMARY OF FINANCIAL PERFORMANCE OF THE UOB GROUP

A summary of the audited consolidated income statements of the UOB Group for FY2012, FY2013 and FY2014 is set out in the table below. The summary is extracted from, and should be read in conjunction with, the audited consolidated financial statements of the UOB Group for FY2012, FY2013 and FY2014 (copies of which are available for inspection as mentioned in paragraph 3 (Documents for Inspection) of Appendix 5 to this UOB Letter).

| | Audited FY2012 (S\$'000) | Audited FY2013 (S\$'000) | Audited FY2014 (S\$'000) |
|---|---|---|---|
| Total income | 6,494,957 | 6,720,220 | 7,457,336 |
| Profit before tax | 3,351,167 | 3,584,134 | 3,824,868 |
| Profit after tax ¹ | 2,803,088 | 3,007,900 | 3,249,101 |
| Shareholders' equity ¹ | 25,079,607 | 26,387,916 | 29,569,350 |
| Return on average ordinary shareholders' equity ² (%) | 12.4 | 12.3 | 12.3 |
| Per ordinary share | | | |
| Basic earnings (\$) | 1.72 | 1.84 | 1.98 |
| Net asset value (\$) | 14.56 | 15.36 | 17.09 |
| Net dividend (cents) ³ | 70 | 75 | 75 |

1 Attributable to equity holders of UOB.

2 Calculated based on profit attributable to equity holders of UOB net of preference share dividends and capital securities distributions.

3 Includes special dividend of 10 cents for FY2012, and 5 cents for FY2013 and FY2014 respectively.

4. SUMMARY OF FINANCIAL POSITION OF THE UOB GROUP

A summary of the audited consolidated balance sheet of the UOB Group as at 31 December 2014 is set out in the table below. The summary is extracted from, and should be read in conjunction with, the audited consolidated financial statements of the UOB Group for FY2014 (a copy of which is available for inspection as mentioned in paragraph 3 (Documents for Inspection) of Appendix 5 to this UOB Letter).

| | Audited As at 31 December 2014 (S\$'000) |
|---|---|
| Equity | |
| Share capital and other capital | 5,892,165 |
| Retained earnings | 14,064,092 |
| Other reserves | 9,613,093 |
| Equity attributable to equity holders of UOB | 29,569,350 |
| Non-controlling interests | 202,655 |
| Total equity | 29,772,005 |

APPENDIX 3 – ADDITIONAL INFORMATION ON UOB

| | Audited As at 31 December 2014 (S\$'000) |
|--|--|
| Liabilities | |
| Deposits and balances of: | |
| Banks | 11,226,347 |
| Non-bank customers | 233,749,644 |
| Bills and drafts payable | 950,727 |
| Derivative financial liabilities | 6,383,979 |
| Other liabilities | 3,157,723 |
| Tax payable | 381,926 |
| Deferred tax liabilities | 160,489 |
| Debts issued | 20,953,303 |
| Total liabilities | 276,964,138 |
| | |
| Total equity and liabilities | 306,736,143 |
| | |
| Assets | |
| Cash, balances and placements with central banks | 35,082,908 |
| Singapore Government treasury bills and securities | 7,756,709 |
| Other government treasury bills and securities | 10,140,942 |
| Trading securities | 738,262 |
| Placements and balances with banks | 28,692,051 |
| Loans to non-bank customers | 195,902,563 |
| Derivative financial assets | 6,305,928 |
| Investment securities | 11,439,549 |
| Other assets | 2,718,439 |
| Deferred tax assets | 231,636 |
| Investment in associates and joint ventures | 1,189,449 |
| Investment properties | 960,292 |
| Fixed assets | 1,428,135 |
| Intangible assets | 4,149,280 |
| Total assets | 306,736,143 |
| | |
| Off-balance sheet items | |
| Contingent liabilities | 18,514,991 |
| Financial derivatives | 605,486,659 |
| Commitments | 99,592,819 |

APPENDIX 3 – ADDITIONAL INFORMATION ON UOB

5. MATERIAL CHANGES IN FINANCIAL POSITION OF THE UOB GROUP

As at the Latest Practicable Date, save as disclosed in this UOB Letter and save for (a) information on UOB which is publicly available and (b) the making and financing of the Offer, there has been no known material change in the financial position of the UOB Group since 31 December 2014, being the date of the last audited consolidated financial statements of the UOB Group.

6. SIGNIFICANT ACCOUNTING POLICIES

The audited consolidated financial statements of the UOB Group for FY2014 have been prepared in accordance with the Singapore Financial Reporting Standards. A summary of the significant accounting policies of UOB are set out in Note 2 to the audited consolidated financial statements of the UOB Group for FY2014 (a copy of which is available for inspection as mentioned in paragraph 3 (Documents for Inspection) of Appendix 5 to this UOB Letter).

7. CHANGES IN ACCOUNTING POLICIES

As at the Latest Practicable Date, there has been no change in the accounting policies of UOB since the date of its audited consolidated financial statements for FY2014 which will cause the figures set out in paragraph 3 (Summary of Financial Performance of the UOB Group) and paragraph 4 (Summary of Financial Position of the UOB Group) of this Appendix 3 to be not comparable to a material extent.

8. REGISTERED OFFICE

The registered office of UOB is at 80 Raffles Place, UOB Plaza, Singapore 048624.

APPENDIX 4 – ADDITIONAL INFORMATION ON FEB

1. FEB DIRECTORS

The names, addresses and descriptions of the FEB Directors as at the Latest Practicable Date are set out below:

| Name | Address | Description |
|-----------------------|---|--|
| Dr Wee Cho Yaw | 80 Raffles Place UOB Plaza Singapore 048624 | Chairman Emeritus and Adviser |
| Mr Hsieh Fu Hua | 80 Raffles Place UOB Plaza Singapore 048624 | Chairman |
| Mr Wee Ee Cheong | 80 Raffles Place UOB Plaza Singapore 048624 | Deputy Chairman and Chief Executive Officer |
| Mr Wong Meng Meng | 80 Raffles Place UOB Plaza Singapore 048624 | Non-independent and Non-executive Director |
| Mr Franklin Leo Lavin | 80 Raffles Place UOB Plaza Singapore 048624 | Independent and Non-executive Director |

2. SHARE CAPITAL OF FEB

As at the Latest Practicable Date, FEB has an issued and paid-up share capital of S\$100,010,566.00 comprising 100,010,566 issued Shares. As at the Latest Practicable Date, FEB does not hold any Shares in treasury.

3. MATERIAL CHANGES IN FINANCIAL POSITION OF THE FEB GROUP

As at the Latest Practicable Date, save as disclosed in this Composite Document (including the audited consolidated financial statements of the FEB Group for FY2014 which are set out in Appendix C to the FEB Letter) and save for information on FEB which is publicly available, there has not been, within the knowledge of UOB, any material change in the financial position or prospects of the FEB Group since 31 December 2013, being the date of the last audited balance sheet of FEB laid before Shareholders in general meeting.

4. REGISTERED OFFICE

The registered office of FEB is at 80 Raffles Place, UOB Plaza, Singapore 048624.

APPENDIX 5 – ADDITIONAL GENERAL INFORMATION

1. DISCLOSURE OF INTERESTS

- 1.1 **No Indemnity Arrangements.** As at the Latest Practicable Date, save for the Irrevocable Undertakings as described in Section 12.4 (Irrevocable Undertakings) of this UOB Letter, neither UOB nor any of its Concert Parties has entered into any arrangement of the kind referred to in Note 7 on Rule 12 of the Code, including indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to the Company Securities which may be an inducement to deal or refrain from dealing in the Company Securities.
- 1.2 **No Agreement having any Connection with or Dependence upon the Offer.** As at the Latest Practicable Date, save for the Irrevocable Undertakings as described in Section 12.4 (Irrevocable Undertakings) of this UOB Letter, there is no agreement, arrangement or understanding between (a) UOB or any of its Concert Parties and (b) any of the present or recent directors of the Company or the present or recent Shareholders having any connection with or dependence upon the Offer.
- 1.3 **Transfer of Offer Shares.** As at the Latest Practicable Date, save as disclosed in this Composite Document, there is no agreement, arrangement or understanding whereby any of the Offer Shares acquired pursuant to the Offer will or may be transferred to any other person. However, UOB reserves the right to transfer any of the Offer Shares to any of its related corporations.
- 1.4 **No Payment or Benefit to Directors of FEB.** As at the Latest Practicable Date, no payment or other benefit will be made or given to any director of FEB or of any corporation which is by virtue of Section 6 of the Companies Act deemed to be related to FEB as compensation for loss of office or otherwise in connection with the Offer.
- 1.5 **No Agreement Conditional upon Outcome of the Offer.** As at the Latest Practicable Date, save for the Irrevocable Undertakings as described in Section 12.4 (Irrevocable Undertakings) of this UOB Letter, there is no agreement or arrangement made between (a) UOB and (b) any of the FEB Directors or any other person, in connection with or conditional upon the outcome of the Offer or otherwise connected with the Offer.
- 1.6 **Transfer Restrictions.** There is no restriction in the Memorandum and Articles of Association of FEB on the right to transfer any Offer Shares, which has the effect of requiring the holders of such Offer Shares before transferring them, to offer them for purchase by members of FEB or any other person.
- 1.7 **No Material Change in Information.** Save as disclosed in this Composite Document, as far as UOB is aware, there has been no material change in any information previously published by or on behalf of UOB during the period commencing from the Joint Announcement Date and ending on the Latest Practicable Date.

2. GENERAL

- 2.1 **Costs and Expenses.** All costs and expenses of or incidental to the Offer including the preparation and circulation of this Composite Document and the FAT (other than professional fees and other costs relating to the Offer or any revision thereof incurred or to be incurred by FEB) and stamp duty and transfer fees resulting from acceptances of the Offer will be paid by UOB.

APPENDIX 5 – ADDITIONAL GENERAL INFORMATION

2.2 **EY's Consent.** Ernst & Young LLP has given and has not withdrawn its consent to the issue of this Composite Document with the inclusion herein of (a) its financial resources confirmation, (b) its name and (c) all references thereto, in the form and context in which they appear in this Composite Document.

3. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the office of UOB at 80 Raffles Place, UOB Plaza 2 #04-20, Singapore 048624, during normal business hours, while the Offer remains open for acceptance:

- (a) the Joint Announcement;
- (b) the Memorandum and Articles of Association of UOB;
- (c) the annual reports of UOB for FY2012 and FY2013;
- (d) the audited consolidated financial statements of the UOB Group for FY2014; and
- (e) the letter of consent from Ernst & Young LLP referred to in paragraph 2.2 (EY's Consent) of this Appendix 5.

LETTER FROM THE BOARD OF DIRECTORS OF FEB TO SHAREHOLDERS



(Company Registration No. 195800116D)
(Incorporated in the Republic of Singapore)

25 March 2015

To: **The Shareholders of Far Eastern Bank Limited**

Dear Sir/Madam

RECOMMENDED VOLUNTARY CONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Joint Announcement

On the Joint Announcement Date, UOB and FEB jointly announced that the boards of directors of UOB and FEB had agreed to the terms of a recommended voluntary conditional cash offer to be made by UOB to acquire all the Shares other than those already held by UOB.

A copy of the Joint Announcement is available on the website of the SGX-ST at www.sgx.com and UOB's website at www.uobgroup.com. The Joint Announcement was also advertised in The Business Times on 13 March 2015.

1.2 Independent Financial Adviser

Provenance has been appointed by the FEB Directors as the IFA to advise Independent Shareholders on the Offer. **Provenance is of the opinion that the financial terms of the Offer are fair and reasonable and recommends that Independent Shareholders accept the Offer. The detailed opinion and recommendation of Provenance to Independent Shareholders are set out in the IFA Letter in Appendix A to this FEB Letter.**

1.3 Purpose of this FEB Letter

The purpose of this FEB Letter is to provide Shareholders with the recommendation of the IFA to Independent Shareholders on the Offer and to set out the IFA Letter.

Shareholders should read this Composite Document carefully and consider the advice and recommendation of the IFA in its entirety as set out in the IFA Letter before deciding whether to accept or reject the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

LETTER FROM THE BOARD OF DIRECTORS OF FEB TO SHAREHOLDERS

2. THE RECOMMENDED OFFER

UOB has made the Offer to acquire all the Offer Shares in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in the UOB Letter. Please refer to the following sections of the UOB Letter for more information:

- (a) Section 3 on The Recommended Offer;
- (b) Section 6 on Information on UOB;
- (c) Section 8 on the Rationale for the Offer;
- (d) Section 9 on Compulsory Acquisition;
- (e) Section 10 on UOB's intentions relating to the FEB;
- (f) Section 12.4 on Irrevocable Undertakings;
- (g) Section 14 on Overseas Shareholders; and
- (h) Appendix 2 on Procedures for Acceptance of the Offer.

3. EXEMPTION RELATING TO FEB DIRECTORS' RECOMMENDATION

The SIC has ruled that all of the FEB Directors, namely, Messrs Wee Cho Yaw, Hsieh Fu Hua, Wee Ee Cheong, Wong Meng Meng and Franklin Leo Lavin, are exempted from the requirement to make a recommendation on the Offer to Shareholders in view of the fact that all the FEB Directors are also UOB Directors. Further, Messrs Wee Cho Yaw, Hsieh Fu Hua and Wee Ee Cheong are the Chairman Emeritus and Adviser, Chairman, and Deputy Chairman and Chief Executive Officer of UOB, respectively. The FEB Directors will accept responsibility for the accuracy of the facts stated or opinions expressed in documents issued by, or on behalf of, FEB in connection with the Offer.

As there is no FEB Director to assume the responsibility of making a recommendation on the Offer to Shareholders, the SIC has ruled that such responsibility shall reside with the IFA appointed by the FEB Directors to advise Shareholders on the Offer.

4. ADVICE AND RECOMMENDATION OF THE IFA

4.1 Key Factors taken into Consideration by the IFA

In arriving at its advice and recommendation, Provenance has relied on the following key considerations as set out in Section 7 of the IFA Letter and reproduced in italics below. The considerations set out below should be considered and read by Independent Shareholders in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below have the same meanings given to them in the IFA Letter, unless otherwise stated.

LETTER FROM THE BOARD OF DIRECTORS OF FEB TO SHAREHOLDERS

“In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

- (a) No market quotation of the FEB Shares;*
- (b) Financial analysis of the Group;*
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST Main Board and the SGX-ST Catalyst;*
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;*
- (e) Dividend track record of the Company; and*
- (f) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.”*

4.2 Advice and Recommendation of the IFA to Independent Shareholders

Based on the IFA's assessment of the financial terms of the Offer from a financial point of view, the IFA has advised the Independent Shareholders in the terms set out in Section 8 of the IFA Letter and reproduced in italics below. The IFA's advice set out below should be considered and read by Shareholders in conjunction with, and in the context of, the full text of the IFA Letter. All terms and expressions used in the extract below have the same meanings given to them in the IFA Letter, unless otherwise stated.

“Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the financial terms of the Offer are fair and reasonable. Accordingly, we advise the Independent FEB Shareholders to ACCEPT the Offer.

Independent FEB Shareholders should also take note of the following:

- (i) The Company is a public unlisted company and the FEB Shares are not quoted or traded on the SGX-ST or on any other stock exchanges. Hence, the Independent FEB Shareholders may face difficulties in selling their FEB Shares due to the absence of a public market. The Offer therefore provides the Independent FEB Shareholders with an opportunity to exit from their investments in the Company;***
- (ii) In the event the Offeror is entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act, and in the view of the intention of the Offeror to privatise the Company, all remaining FEB Shares which have not been tendered for acceptance will be compulsory acquired by the Offeror. This will eventually lead to the privatisation of the Company; and***
- (iii) Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of FEB Shares pursuant to the Offer which, together with the FEB Shares held by it, its related corporations and their respective nominees, comprise 90.0% or more of the total number of issued FEB Shares (excluding any FEB Shares held in treasury), the Independent FEB Shareholders who have not accepted the Offer***

LETTER FROM THE BOARD OF DIRECTORS OF FEB TO SHAREHOLDERS

have a right to require the Offeror to acquire their FEB Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual FEB Shareholder. As each individual FEB Shareholder would have different investment objectives and profiles, we would advise that any individual FEB Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. In addition, we advise the Independent FEB Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any FEB Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

Our recommendation is addressed to the Independent FEB Shareholders for their benefit, in connection with and for the purposes of their consideration of the Offer, as the case may be, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. Our recommendation does not constitute, and should not be relied on as, a recommendation to, or confer any rights upon, any FEB Shareholder as to how such FEB Shareholder should deal with his/her/its shares in relation to the Offer or any matter related thereto.”

Independent Shareholders are advised to read the IFA Letter set out in Appendix A to this FEB Letter and other relevant information set out in this Composite Document carefully before deciding whether to accept or reject the Offer. **Independent Shareholders should note that the IFA’s advice in respect of the Offer should not be relied upon by any of them as the sole basis for deciding whether or not to accept the Offer.**

5. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. on 22 April 2015 or such later date(s) as may be announced from time to time by or on behalf of UOB. Shareholders who wish to accept the Offer should take note of the “Procedures for Acceptance of the Offer” set out in Appendix 2 to the UOB Letter.

Shareholders who do not wish to accept the Offer should take no further action in respect of this Composite Document (including the FAT) which has been sent to you.

6. FEB DIRECTORS’ RESPONSIBILITY STATEMENT

The FEB Directors (including those who may have delegated detailed supervision of this FEB Letter) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this FEB Letter (other than the IFA’s advice and recommendation and the IFA Letter for which Provenance has taken responsibility) are fair and accurate and that no material facts have been omitted from this FEB Letter, and they jointly and severally accept responsibility accordingly.

In respect of the IFA Letter, the sole responsibility of the FEB Directors has been to ensure that the facts stated therein with respect to the FEB Group are fair and accurate.

LETTER FROM THE BOARD OF DIRECTORS OF FEB TO SHAREHOLDERS

Where any information in this FEB Letter has been extracted or reproduced from published or publicly available sources (including without limitation, information relating to UOB, its Concert Parties or the Undertaking Shareholders) or obtained from UOB, its Concert Parties or the Undertaking Shareholders, the sole responsibility of the FEB Directors has been to ensure, through reasonable enquiries, that such information is accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this FEB Letter.

Yours faithfully
For and on behalf of
Far Eastern Bank Limited

Wee Ee Cheong
Deputy Chairman

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB



LETTER FROM PROVENANCE CAPITAL PTE. LTD. TO THE INDEPENDENT SHAREHOLDERS OF FAR EASTERN BANK LIMITED

11 March 2015

To: The Independent Shareholders of Far Eastern Bank Limited
(deemed to be independent in respect of the Offer)

Dear Sirs,

RECOMMENDED VOLUNTARY CONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF FAR EASTERN BANK LIMITED OTHER THAN THOSE ALREADY HELD BY UNITED OVERSEAS BANK LIMITED

Unless otherwise defined or the context otherwise requires, all terms used herein have the same meanings as defined in the Announcement dated 11 March 2015.

1. INTRODUCTION

1.1 On 11 March 2015 ("**Announcement Date**"), United Overseas Bank Limited ("**Offeror**" or "**UOB**") and Far Eastern Bank Limited ("**Company**" or "**FEB**") jointly announced ("**Announcement**") that the respective boards of directors of the Offeror and the Company have agreed to the terms of the recommended voluntary conditional cash offer ("**Offer**" or "**Recommended Offer**") to be made by the Offeror to acquire all the issued and paid-up ordinary shares in the capital of the Company ("**FEB Shares**"), other than those already held by the Offeror ("**Offer Shares**") in accordance with Rule 15 of the Singapore Code on Takeovers and Mergers ("**Code**").

We have been appointed by the directors of the Company ("**FEB Directors**") as the independent financial adviser ("**IFA**") to advise the shareholders of the Company ("**FEB Shareholders**") other than the Offeror and its concert parties ("**Independent FEB Shareholders**") on the Offer. In this regard, we have prepared this letter dated 11 March 2015 ("**Letter**") and made our recommendation in respect of the Offer for the purpose of the Announcement. Our advice and recommendation to the Independent FEB Shareholders are set out in Section 3.2 of the Announcement. This Letter set out the details of our opinion and recommendation on the Offer.

1.2 The Offer, to be made at the offer price of S\$3.51 in cash for each Offer Share ("**Offer Price**"), is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which represents **not less than 90% of the Offer Shares** as at the close of the Offer ("**Acceptance Condition**").

The Offeror reserves the right to waive the Acceptance Condition or reduce such condition to a lower level (but which in any event will result in the Offeror holding more than 50% of the total voting rights attributable to the issued FEB Shares), subject to the approval of the Securities Industry Council ("**SIC**").

1.3 As at the Announcement Date, the Offeror owns 78,884,677 FEB Shares, representing approximately 78.88% of the total number of 100,010,566 issued FEB Shares. Apart from the Offeror, none of the Relevant Persons (as defined in the Announcement) owns any FEB Shares. The remaining FEB Shares are held by more than 200 FEB Shareholders, representing approximately 21.12% of the total number of issued FEB Shares.

1.4 The formal Offer by the Offeror for the Offer Shares will be set out in the Composite Document to be despatched to FEB Shareholders not earlier than 14 days and not later than 21 days from

Provenance Capital Pte. Ltd.
Co. Reg. No: 200309056E

96 Robinson Road, #13-01 SIF Building, Singapore 068899 | Tel : (65) 6227 1580/5810 | Fax : (65) 6224 3116/6316

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

the Announcement Date. The Composite Document will contain, among other things, (a) the offer document to be issued by the Offeror ("**Offer Document**") which will set out the terms and conditions of the Offer and the Form of Acceptance and Transfer for the Offer Shares ("**FAT**"); and (b) the letter from the FEB Directors to the FEB Shareholders in relation to the Offer, together with this Letter.

- 1.5** Pursuant to the confirmations sought by the Offeror, the SIC had, on 29 January 2015, ruled that all the FEB Directors, namely Messrs Wee Cho Yaw, Hsieh Fu Hua, Wee Ee Cheong, Wong Meng Meng and Franklin Leo Lavin, are exempted from making a recommendation on the Offer to the FEB Shareholders in view of the fact that all the FEB Directors are also directors of the Offeror. Further, Mr Wee Cho Yaw is the Chairman Emeritus and Adviser, Mr Hsieh Fu Hua is the Chairman and Mr Wee Ee Cheong is the Deputy Chairman and Chief Executive Officer of the Offeror. As there is no FEB Director to assume the responsibility of making a recommendation on the Offer to the FEB Shareholders, the SIC had further ruled that such responsibility shall reside with the IFA appointed by the FEB Directors to advise FEB Shareholders on the Offer. As the Offeror owns approximately 78.88% of the issued FEB Shares, our advice and recommendation will be addressed to the remaining FEB Shareholders other than the Offeror and its concert parties, whom we have defined above as the Independent FEB Shareholders.
- 1.6** Accordingly, this Letter is addressed to the Independent FEB Shareholders and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer and our recommendations thereon. This Letter will form part of the Composite Document to be despatched to FEB Shareholders which will provide, *inter alia*, the details of the Offer.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the IFA to advise the Independent FEB Shareholders in relation to the Offer pursuant to SIC's ruling as set out in paragraph 1.5 of this Letter.

We have confined our evaluation and assessment to the financial terms of the Offer, and have not taken into account the commercial risks or commercial merits of the Offer. In addition, we have not been requested, and we do not express any advice or give any opinion on the merits of the Offer relative to any other alternative transaction. We were not involved in the negotiations pertaining to the Offer nor were we involved in the deliberation leading up to the decision to put forth the Offer to the FEB Shareholders.

The scope of our appointment does not require us to express, and we do not express, any view on the future growth prospects, financial position or earnings potential of the Company and its only subsidiary ("**Group**"). Such evaluation or comments remain the responsibility of the FEB Directors although we may draw on their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our opinion. The opinion set forth in this Letter is based solely on publicly available information as well as information provided by the FEB Directors and management of the Group ("**Management**"), and is predicated upon the economic and market conditions prevailing as at 11 March 2015, being the Latest Practicable Date prior to the Announcement.

We have not been requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the FEB Shares. In this regard, we have not addressed the relative merits of the Offer in comparison with any alternative transaction that the Company may consider in the future. Therefore, we do not express any views in these areas in arriving at our recommendation on the Offer.

In formulating our opinion and recommendation, we have held discussions with the FEB Directors and the Management, and have relied to a considerable extent on the information set out in the Announcement, other public information collated by us and the information, representations, opinions, facts and statements provided to us, whether written or verbal, by the Company and its professional advisers. Whilst care has been exercised in reviewing the

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

information we have relied upon, we have not independently verified the information both written and verbal and accordingly cannot and do not make any representation or warranty, expressly or impliedly, in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of such information.

The FEB Directors have confirmed, having made all reasonable enquiries and to the best of their respective knowledge, information and belief, all material information in connection with the Offer, the Company and/or the Group have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other material information or fact, the omission of which would cause any information disclosed to us or the facts of or in relation to the Company and/or the Group stated in the Announcement to be inaccurate, incomplete or misleading in any material respect. The FEB Directors have jointly and severally accepted full responsibility for such information described herein. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company and/or the Group (including without limitation, property, plant and equipment). We have, however, been furnished with the property valuation report dated 13 January 2015 ("**Valuation Report**") by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers**" or "**Valuers**"), being the independent valuer appointed by the Company to value the leasehold property at 156 Cecil Street, Far Eastern Bank Building, Singapore 069544 in connection with the Offer.

We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Valuation Report for such asset appraisal and have not made any independent verification of the contents thereof. In particular, we do not assume any responsibility to enquire about the basis of the valuation contained in the Valuation Report or if the contents thereof have been prepared and/or included in the Offer Document in accordance with all applicable regulatory requirements including the Code.

The information which we had relied on in the assessment of the Offer were based on market, economic, industry, monetary and other conditions prevailing as at the Latest Practicable Date, and may change significantly over a relatively short period of time. We assume no responsibility to update, revise or reaffirm our opinion or assumptions in light of any subsequent development after the Latest Practicable Date that may affect our opinion or assumptions contained herein. Independent FEB Shareholders should take note of any announcements relevant to their consideration of the Offer, as the case may be, which may be released or published after the Latest Practicable Date.

In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, risk profiles, tax position or particular needs and constraints of any FEB Shareholder. As each FEB Shareholder may have different investment profiles and objectives, we advise that any FEB Shareholder who may require specific advice in relation to his investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Company has been/will be separately advised by its own professional advisers in the preparation of the Announcement and the Composite Document. Other than in respect of our advice and recommendation in the Announcement, the Composite Document and this Letter, we have no role or involvement and have not and will not provide any advice (financial or otherwise) in the preparation, review and verification of the Announcement or the Composite Document. Accordingly, save as aforesaid, we take no responsibility for and express no view, whether expressed or implied, on the contents of the Announcement or the Composite Document.

Whilst a copy of this Letter may be reproduced in the Composite Document, neither the Company nor the FEB Directors may reproduce, disseminate or quote this Letter (or any part

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

thereof) for any other purposes at any time and in any manner, without the prior written consent of Provenance Capital in each specific case.

Our opinion is addressed solely to the Independent FEB Shareholders for their benefit and deliberation of the Offer. **Our recommendation to the Independent FEB Shareholders in relation to the Offer should be considered in the context of the entirety of this Letter and the Composite Document.**

3. THE RECOMMENDED OFFER

The formal terms and conditions of the Offer will be set out in the Composite Document to be despatched to the Independent FEB Shareholders. Based on the Announcement, the key terms of the Offer are set out below for your reference:

3.1 Offer Price

The consideration for each Offer Share will be:

For each Offer Share: S\$3.51 in cash

3.2 Offer Shares

The Offer will be extended to all the FEB Shares other than those already held by the Offeror. For the avoidance of doubt, the Offer Shares shall include any FEB Shares owned, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror.

3.3 No Encumbrances

The Offer Shares are to be acquired:

- (i) fully paid;
- (ii) free from all claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever; and
- (iii) together with all the rights, benefits, entitlements and advantages attached thereto as at the Announcement Date, and hereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights and other distributions declared, paid or made by the Company (collectively, the "**Distributions**") (if any) which may be announced, declared, paid or made by the Company on or after the Announcement Date, but excluding the FY2014 Dividend (as defined below).

3.4 Adjustment for Distributions

In the event any Distribution (other than the FY2014 Dividend) is announced, declared, paid or made by the Company on or after the Announcement Date to a FEB Shareholder who validly accepts or has validly accepted the Offer (an "**Accepting Shareholder**"), the Offeror reserves the right to reduce the Offer Price payable to such Accepting Shareholder by the amount of such Distribution.

3.5 No Adjustment for FY2014 Dividend

As disclosed in Note 13 of the Group's audited financial statements for the financial year ended 31 December ("FY") 2014, the FEB Directors have proposed a final one-tier tax exempt dividend of \$0.02 per FEB Share ("**FY2014 Dividend**") to be paid to the FEB Shareholders for FY2014. The proposed FY2014 Dividend is subject to the approval of the FEB Shareholders to be sought at the forthcoming annual general meeting of the Company ("**AGM**") to be held on 23 April 2015. If approved by the FEB Shareholders, it is expected that the FY2014 Dividend will be paid to FEB Shareholders whose names appear on the Register of Members of FEB as

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

at 5.00 p.m. on 6 April 2015 (“**FY2014 Dividend Record Date**”) whose registrable transfers have been received by the Company Secretary by the FY2014 Dividend Record Date (the “**Entitled Shareholders**”). If approved by FEB Shareholders at the AGM, the FY2014 Dividend will be paid on 28 April 2015.

As the Offer Shares to be acquired by the Offeror under the Offer exclude the right to receive the FY2014 Dividend, Accepting Shareholders will retain the benefit of the FY2014 Dividend (if approved by Shareholders) to be paid by FEB to Entitled Shareholders and there will be no reduction in the Offer Price in respect of the FY2014 Dividend. Accordingly:

- (a) in the event the Offeror becomes entitled to receive, and receives, the FY2014 Dividend in respect of any Offer Shares validly tendered by an Accepting Shareholder in acceptance of the Offer, the Offeror will pay an amount equal to the FY2014 Dividend in respect of such Offer Shares to such Accepting Shareholder within 14 days of the receipt by the Offeror of the FY2014 Dividend from FEB; and
- (b) Entitled Shareholders will receive the FY2014 Dividend from FEB and therefore will not be entitled to receive any additional amount from the Offeror under the Offer or otherwise in respect of any Offer Shares tendered by them in acceptance of the Offer.

3.6 Minimum Acceptance Condition

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which represents **not less than 90% of the Offer Shares** as at the close of the Offer.

The Offeror reserves the right to waive the Acceptance Condition or reduce such condition to a lower level (but which in any event will result in the Offeror holding more than 50% of the total voting rights attributable to the issued FEB Shares), subject to the approval of the SIC.

The Offer will be unconditional in all other respects.

3.7 Irrevocable Undertakings

As at the Announcement Date, certain FEB Shareholders (“**Undertaking Shareholders**”) have given their respective deed of undertaking (“**Deed of Undertaking**”) to the Offeror, whereby each of the Undertaking Shareholders has irrevocably and unconditionally:

- (a) undertake, *inter alia*, to accept the Offer in respect of all of the FEB Shares owned by each of them respectively prior to and up to the close of the Offer (each, an “**Irrevocable Undertaking**” and collectively, the “**Irrevocable Undertakings**”); and
- (b) grant to the Offeror during the period of 100 days commencing from the date of the Irrevocable Undertakings (“**Option Period**”), a call option for the Offeror to purchase from each Undertaking Shareholder all of the FEB Shares owned by each of them respectively at the Offer Price (each, a “**Call Option**” and collectively, the “**Call Options**”). The FEB Shares are to be acquired free from all claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever and together with all rights, benefits, entitlements and advantages attached thereto on terms similar to that under the Offer as set out in Section 2(c), (d) and (e) of the Announcement, which terms shall apply *mutatis mutandis* to the Call Option. The Call Option may be exercised by the Offeror at any time during the Option Period, regardless of whether the Offer is announced or made by the Offeror and whether the Offer becomes unconditional in all respects or lapses or is withdrawn.

The names of the Undertaking Shareholders and the number of FEB Shares owned by them as at the Announcement Date are as follows:

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

| Name | Number of FEB Shares | Percentage of total issued FEB Shares (%) |
|-----------------------|----------------------|---|
| Aik Siew Tong Limited | 2,315,279 | 2.31 |
| Lee Chin Chuan | 679,384 | 0.68 |
| Melodies Limited | 2,000,212 | 2.00 |
| Ng Chwee Hwei | 65,648 | 0.07 |
| Ong Chu Meng | 336,779 | 0.34 |
| Total | 5,397,302 | 5.39* |

* does not add up due to rounding

Each of the Deed of Undertaking shall terminate on (a) the settlement date in respect of the Offer Shares tendered in acceptance of the Offer by the relevant Undertaking Shareholder, (b) the date on which the Call Option lapses, or (c) the date of settlement of the FEB Shares acquired by the Offeror under the Call Option, whichever is the earliest.

As at the Announcement Date, save as disclosed above and in the Announcement, the Offeror has not received any other irrevocable undertakings or been granted any other call options to acquire the FEB Shares.

3.8 Further details of the Offer

Further details of the Offer, including details on (a) warranty; (b) duration of the Offer; (c) the settlement of the consideration for the Offer; (d) the requirements relating to the announcement(s) of the level of acceptances of the Offer; (e) the right of withdrawal of acceptances of the Offer; and (f) procedures for acceptance of the Offer by a FEB Shareholder will be set out in the Composite Document.

4. INFORMATION ON THE OFFEROR

The following information on the Offeror is extracted from the Announcement:

“The Offeror is a company incorporated in Singapore on 6 August 1935 and is listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). Its principal activities include personal financial services, private banking, business banking, commercial and corporate banking, transaction banking, investment banking, corporate finance, capital market activities, treasury services, futures broking, asset management, venture capital management and insurance.

As at the Announcement Date, the Offeror has an issued and paid-up share capital of S\$3,944,232,570.94 comprising 1,614,543,954 issued ordinary shares (including 11,708,697 ordinary shares held in treasury) and a market capitalisation of approximately S\$36.3 billion.

As at the Announcement Date, the directors of the Offeror are Messrs Wee Cho Yaw, Hsieh Fu Hua, Wee Ee Cheong, Wong Meng Meng, Franklin Leo Lavin, Willie Cheng Jue Hiang, James Koh Cher Siang and Ong Yew Huat, and Mrs Lim Hwee Hua (collectively, the “UOB Directors”).”

As at the Announcement Date, the Offeror owns 78,884,677 FEB Shares, representing approximately 78.88% of the total number of issued FEB Shares.

5. INFORMATION ON THE COMPANY AND THE GROUP

The Company is a public unlisted company incorporated in Singapore on 21 August 1958. The Company is a banking subsidiary of the Offeror and offers commercial banking and financial services.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

As at the Announcement Date, the Company has an issued and paid-up capital of S\$100,010,566 comprising 100,010,566 issued FEB Shares. As at the Announcement Date, the Company does not hold any FEB Shares in treasury. As at the Announcement Date, the Company does not have any outstanding instruments convertible into, rights to subscribe for or options in respect of, FEB Shares or securities which carry voting rights in the Company.

As at the Announcement Date, the FEB Directors are Messrs Wee Cho Yaw, Hsieh Fu Hua, Wee Ee Cheong, Wong Meng Meng and Franklin Leo Lavin, all of whom are also UOB Directors, that is, directors of the Offeror.

Based on the Offer Price of S\$3.51 and the total number of issued FEB Shares as at the Announcement Date, the implied market capitalisation of the Company is approximately S\$351.04 million.

6. RATIONALE FOR THE OFFER AND COMPULSORY ACQUISITION

The following rationale for the Offer is extracted from the Announcement:

- 7.1 Intention to Privatisise FEB.** *As at the Announcement Date, the Offeror owns approximately 78.88% of the total number of issued Shares and is the majority shareholder of the Company. The Offeror intends to make the Offer with a view to privatising the Company and making the Company its wholly-owned subsidiary.*
- 7.2 Greater Management Flexibility.** *The Offeror is of the view that privatising the Company will provide the Offeror with greater control and management flexibility to integrate the Company's operations into the Offeror resulting in increased efficiencies. In addition, the customers of FEB will benefit from being part of a larger bank.*
- 7.3 Opportunity for Minority Shareholders to Realise Their Investment.** *The Offer will provide Shareholders with the opportunity to realise their entire investment in the Shares and to unlock value in their unlisted and illiquid Shares."*

In line with its intention to privatise the Company, the Offeror has therefore proposed to make the Offer conditional upon the Acceptance Condition as set out in paragraph 1.2 and 3.6 of this Letter, and Section 2(f) of the Announcement. In the event that the Offeror, *inter alia*, receives valid acceptances of 90% or more of the Offer Shares as at the close of the Offer, the Offeror intends to exercise its right of compulsory acquisition of all the remaining FEB Shares that it does not already own pursuant to Section 215(1) of the Companies Act.

The following right of compulsory acquisition is extracted from the Announcement:

"8. COMPULSORY ACQUISITION

If the Acceptance Condition is met, the Offeror would be entitled to and intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer.

Pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), if the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of issued Shares, the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "Dissenting Shareholders"), at a price equal to the Offer Price. For the purposes of determining the 90% threshold under Section 215(1) of the Companies Act, Shares held by the Offeror, its related corporations and their respective nominees as at the date of the Offer shall not be taken into account.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror or its nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice. Unlike Section 215(1) of the Companies Act, the 90% threshold under Section 215(3) of the Companies Act does not exclude Shares held by the Offeror, its related corporations or their respective nominees.”

It should be noted that pursuant to the terms of the Minimum Acceptance Condition, the Offeror reserves the right to waive the Acceptance Condition or reduce such condition to a lower level subject to the approval of the SIC.

7. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In evaluating and assessing the financial terms of the Offer, we have taken into account the pertinent factors set out below which we consider to have a significant bearing on our assessment:

- (a) No market quotation of the FEB Shares;
- (b) Financial analysis of the Group;
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST Main Board and the SGX-ST Catalyst;
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;
- (e) Dividend track record of the Company; and
- (f) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

7.1 No market quotation of the FEB Shares

Although the Company is a public company, the FEB Shares are not quoted or traded on the SGX-ST or on any other stock exchanges. In addition, close to 79% of the FEB Shares are held by the Offeror for more than 3 years with the remaining FEB Shares held by some 200 FEB Shareholders.

As there is no recent publicly available data on the trading performance of the FEB Shares, whether on-market or off-market, we are not able to compare the Offer Price against any of the recent historical transactions on the FEB Shares. As such, we will also not be able to use any recent historical trading transactions of the FEB Shares as a benchmark to evaluate the reasonableness of the Offer Price unlike shares of a publicly listed company.

7.2 Financial analysis of the Group

The Company is the main operating entity engaged in commercial banking and financial services. It operates through its only main full licensed banking branch in Singapore under the name of Far Eastern Bank. It has only one wholly-owned subsidiary, Far Eastern Bank Nominees Private Limited, which is dormant and recorded in the books of the Company at an investment cost of S\$5,000 as at 31 December 2012, 2013 and 2014. As such, the financial performance and financial position of the Group for the last three financial years ended 31 December 2014, namely FY2012, FY2013 and FY2014, are almost wholly reflective of the operations of the Company for these respective years.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

In the last three financial years, the Group has between 9 and 10 employees.

As the Group is a subsidiary of the UOB, the Group's major policy decisions and operations are subject to review by its parent company, UOB.

7.2.1 Financial performance of the Group

We set out below a summary of the audited profit and loss statements of the Group for FY2012, FY2013 and FY2014:

| S\$'000 | ← FY2012 | Audited FY2013 | → FY2014 |
|--|---------------|-------------------|---------------|
| Net interest income | 4,408 | 4,594 | 4,544 |
| Non-interest income | 7,629 | 7,161 | 7,885 |
| Total operating income | 12,037 | 11,755 | 12,429 |
| Less: Total operating expenses | (10,269) | (10,187) | (10,227) |
| Operating profit before impairment charges | 1,768 | 1,568 | 2,202 |
| Less: Impairment charges | (168) | - | - |
| Add: Write-back of impairment charges | - | 95 | 70 |
| Profit before tax | 1,600 | 1,663 | 2,272 |
| Less: Tax | (225) | (220) | (375) |
| Profit for the year | 1,375 | 1,443 | 1,897 |

Source: *The Company's annual report for FY2013 and the Company's audited financial statements for FY2014.*

The Group's financial performance for the last three financial years have been relatively stable with total operating income in each year of approximately S\$12 million and net profit after tax in each year of between approximately S\$1.4 million and S\$1.9 million. Overall, net interest income and non-interest income contributed, on average, approximately in the proportion of 37%:63% to total operating income for the last three financial years.

FY2013 vs. FY2012

Overall, total operating income for the Group for FY2013 decreased slightly by 2.3% from S\$12.04 million in FY2012 to S\$11.76 million in FY2013. While net interest income for the Group increased by 4.2% from S\$4.41 million to S\$4.59 million largely driven by SGD corporate bonds, non-interest income decreased by 6.1% from S\$7.63 million in FY2012 to S\$7.16 million in FY2013 due mainly to the lower gains from the sale of government securities, lower net gain on foreign exchange and lower rental income.

Total operating expenses for the Group declined from S\$10.27 million in FY2012 to S\$10.19 million in FY2013, due mainly to lower occupancy-related expenses.

Hence, net profit after tax for FY2013 improved by 4.9% from S\$1.38 million in FY2012 to S\$1.44 million in FY2013, attributable mainly to a write-back of impairment charges on loans and higher net interest income, and partially offset by lower non-interest income.

FY2014 vs. FY2013

Overall, total operating income for the Group for FY2014 increased by 5.7% from S\$11.76 million in FY2013 to S\$12.43 million in FY2014. Net interest income remained relatively flat in FY2014 while non-interest income increased by 10.1% from S\$7.16 million in FY2013 to S\$7.89 million in FY2014 due mainly to the higher trade-related fees and rental income, partially offset by lower gains from the sale of government securities.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

Total operating expenses for the Group increased marginally by 0.4% from S\$10.19 million in FY2013 to S\$10.23 million in FY2014.

Hence, net profit after tax for FY2014 improved by 31.5% from S\$1.44 million in FY2013 to S\$1.90 million in FY2014 due mainly to the contribution from higher non-interest income.

Price-earnings Ratio ("PER") implied by the Offer Price

PER illustrates the valuation ratio of the current market value of a company's shares relative to its consolidated basic earnings per share as stated in its financial statements. The PER is affected by, *inter alia*, the capital structure of a company, its tax position as well as its accounting policies relating to depreciation and intangible assets. The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern.

For our analysis, we have evaluated the implied PER of the Group as ascribed by the Offer Price based on the Group's latest net profit after tax for FY2014.

The Group's audited profit after tax for FY2014 was S\$1.90 million. The market capitalisation of the Group as implied by the Offer Price and based on 100,010,566 issued FEB Shares as at the Latest Practicable Date is S\$351.04 million. The Offer Price thus values the Group on a historical PER of **185.05 times**.

We note that the Group had reported annual net profit after tax of less than S\$2 million in the last three financial years. Hence, the historical PER of the Group as implied by the Offer Price will remain very high, a statistical outlier, and therefore not meaningful for the purpose of comparison with the PERs of its peers. Nonetheless, we have shown the historical PER of the Group of 185.05 times as ascribed by the Offer Price for the purpose of comparison with its peers as set out in paragraph 7.4 of this Letter.

7.2.2 Financial position of the Group

In addition to the PER approach in assessing the valuation of the Group as ascribed by the Offer Price, we have analysed the net asset value ("**NAV**") and net tangible assets ("**NTA**") of the Group in our overall evaluation of the terms of the Offer. The NAV of the Group shows the extent to which the value of each FEB Share is backed by total assets net of liabilities, and the NTA is based on NAV less any intangible assets.

The audited financial position of the Group as at 31 December 2014 is set out below:

| S\$'000 | Audited As at 31 December 2014 |
|-------------------------------------|-----------------------------------|
| Equity | |
| Share capital | 100,011 |
| Retained earnings | 14,667 |
| Other reserves | 80,208 |
| Total equity | 194,886 |
| Liabilities | |
| Deposits and balances of: | |
| Non-bank customers | 791,382 |
| Fellow subsidiaries | 438 |
| Holding company | 22,727 |
| Bills and drafts payable | 586 |
| Derivative financial liabilities | 17 |
| Other liabilities | 2,218 |
| Tax payable | 496 |
| Total liabilities | 817,864 |
| Total equity and liabilities | 1,012,750 |

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

| S\$'000 | Audited As at 31 December 2014 |
|---|-----------------------------------|
| Assets | |
| Cash, balances and placements with central bank | 25,890 |
| Singapore Government treasury bills and securities | 128,881 |
| Placements and balances with banks | 8,122 |
| Loans to non-bank customers | 87,789 |
| Placements with fellow subsidiaries | 258 |
| Placements with and amount owing by holding company | 649,192 |
| Investment securities | 102,076 |
| Other assets | 1,863 |
| Deferred tax assets | 1,254 |
| Investment in a fellow associate | 1,099 |
| Investment properties | 5,826 |
| Fixed assets | 500 |
| Total Assets | 1,012,750 |
| Off-balance sheet items | |
| Contingent liabilities | 17,363 |
| Financial derivatives | 647 |
| Commitments | 80,703 |
| NAV/NTA | 194,886 |
| Number of issued FEB Shares | 100,010,566 |
| NAV/NTA per FEB Share (S\$) | 1.95 |

Source: The Company's audited financial statements for FY2014.

Based on the latest audited financial statements of the Group for FY2014, the NAV of the Group was S\$194.89 million as at 31 December 2014, representing approximately S\$1.95 per FEB Share. The Group does not have any intangible assets as at 31 December 2014. Accordingly, the NTA of the Group is equivalent to its NAV as at 31 December 2014.

As a single branch commercial bank, the Group's statement of financial position as at 31 December 2014 is reflective of its operations as a bank wherein its assets which comprise mainly loans and receivables, cash and investments in treasury bills and other investment securities, constitute approximately 99.1% of total assets; and its liabilities which comprise mainly deposits and balances from non-bank customers, fellow subsidiaries and holding company, constitute approximately 99.6% of total liabilities.

Generally, we note that the above loans and receivables are measured at amortised cost using the effective interest method less allowance for impairment, and the investments are mainly recognised as available-for-sale assets and are measured at fair value with fair value changes taken to the fair value reserve and subsequently to the income statement upon disposal or impairment of the assets. The deposits and balances from non-bank customers, fellow subsidiaries and holding company are mainly measured at amortised cost using the effective interest method.

In addition to the above, the Group has off-balance sheet items which comprise mainly contingent liabilities and commitments. The contingent liabilities arise from the normal course of the bank's business involving acceptances, guarantees, performance bonds and indemnities. The bulk of these liabilities are backed by the corresponding obligations of the customers and no assets of the bank or Group were pledged as security for these contingent liabilities as at the balance sheet date. Commitments are undrawn credit facilities (both revocable and irrevocable) and are adjusted for subsequent drawdowns.

We note that among the total assets of the Group of S\$1,012.75 million as at 31 December 2014, the Group has two properties that are mainly recorded as investment properties (S\$5.83 million) and a portion under fixed assets as owner-occupied properties (S\$216,000). The total book value of these properties represents only 3.1% of the NTA of the Group. Under the

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

accounting policies of the Group, these investment properties and fixed assets are stated at cost less accumulated depreciation and allowance for impairment.

The two properties are:

- (i) the leasehold property in relation to the 11-storey commercial development located at 156 Cecil Street, Far Eastern Bank Building, Singapore 069544 ("**Leasehold Property**"). The tenure of the leasehold is 99 years commencing from 2 June 1969; and
- (ii) the freehold property in relation to the commercial property unit located at 34 Craig Road, #01-09, Chinatown Plaza ("**Freehold Property**").

The bulk of the Leasehold Property is being leased out to tenants while a portion of the Leasehold Property, representing approximately 5.8% of the total book value of the Leasehold Property, is classified under fixed assets as owner-occupied properties, as it is being used for the Group's operations as the banking hall and office premises. The Freehold Property is leased out to tenants.

Management recognised that the two properties have significant market values which are much higher than their book values as at 31 December 2014. Hence, a valuation exercise on the properties was performed by the Group's internal valuers with professional qualifications and experience as at 31 December 2014. Taking into account the market prices and rentals of comparable properties using market comparison approach or using a combination of comparable sales and investment approach, a total market value of S\$170.35 million was ascribed to the investment properties (as compared to the book value of S\$5.83 million) and S\$10.24 million was ascribed to the owner-occupied properties (as compared to the book value of S\$216,000) as at 31 December 2014. These market values as at 31 December 2014 are disclosed in the notes to the audited accounts of the Group for FY2014.

An analysis of the market valuation of each of the properties is set out below.

Independent Property Valuation of the Leasehold Property

Recognising that the Leasehold Property is the larger of the two properties owned by the Group, the Company had, in connection with the Offer, commissioned Colliers, the Valuer, to carry out an independent valuation of the Leasehold Property. We have been furnished with the Valuation Report dated 13 January 2015.

The Valuer's valuation of the Leasehold Property is based on the basis of market value on an as-is basis which is intended to mean "*the estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion*". Their valuation also takes into account the Financial Reporting Standard which requires entities to measure or disclose the fair value of assets and liabilities.

In arriving at the market value of the Leasehold Property, the Valuer had adopted the direct comparison method and income capitalisation approach, each being used as a cross check against the other. In the direct comparison method, the Valuer had, *inter alia*, analysed and studied recent sales evidence of similar properties in the subject development or in similar standard localities. The income capitalisation approach entails an estimate of the annual net rental income of the building at current rates after deducing all necessary outgoings and expenses which is capitalized at an appropriate rate of return to arrive at the market value.

Following from the above methodologies and having taken into consideration the prevailing market conditions, the Valuer is of the opinion that the market value of the unexpired leasehold interest of the Leasehold Property assuming with vacant possession and free from all encumbrances is S\$167.00 million. In comparison, the net book value of the Leasehold Property is S\$3.72 million as at 31 December 2014.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

Freehold Property

The Freehold Property which is classified as investment property is relatively smaller with net book value of S\$2.32 million as at 31 December 2014. Based on the Group's internal valuation, the Freehold Property has an estimated market valuation of S\$3.99 million as at 31 December 2014.

We set out below a summary of the net book values, market valuations of the Leasehold Property and the Freehold Property as at 31 December 2014, and their revaluation surpluses arising from the above market valuations:

| | Net book value as at 31 December 2014 (S\$'000) | Market Valuation (S\$'000) | Revaluation surplus (S\$'000) |
|--------------------|---|-------------------------------|----------------------------------|
| Leasehold Property | 3,724 | 167,000 | 163,276 |
| Freehold Property | 2,318 | 3,988 | 1,670 |
| Total | 6,042 | 170,988 | 164,946 |

The total revaluation surplus arising from the market valuation of the Leasehold Property and Freehold Property as at 31 December 2014 is S\$164.95 million and represents approximately S\$1.65 per FEB Share.

In determining the revaluation surplus for the purpose of computing the fair value of the Leasehold Property and Freehold Property, we have also considered whether there is any potential tax liability on the revaluation surplus which may affect the NTA per FEB Share for the purpose of evaluating against the Offer Price. In this respect, we understand from the Company that these properties are held for long term investment purposes and for their own use for their banking operations. That being so, there may not be any potential tax liability which may arise from the revaluation surplus from these properties that may affect our evaluation of the NTA per FEB Share against the Offer Price.

Taking into consideration the revaluation surpluses of the properties, the revalued NTA of the Group as at 31 December 2014 will be S\$3.60 per FEB Share.

FY2014 Dividend

As stated in paragraph 3.5 of this Letter, no adjustments for the FY2014 Dividend will be made to the Offer Price. This means that FEB Shareholders will retain the benefit of the FY2014 Dividend (if approved by FEB Shareholders) and there will be no reduction to the Offer Price in respect of the FY2014 Dividend.

In view of the above, the NTA of the Group as at 31 December 2014 will need to be adjusted to take into account the FY2014 Dividend as the Offeror will be acquiring the Group ex-FY2014 Dividend and in accordance with the Group's accounting policy, the FY2014 Dividend will only be accounted for in the FY2015 financial statements upon approval by the FEB Shareholders. Taking into account the revalued NTA and the adjustment for the FY2014 Dividend, the adjusted NTA of the Group as at 31 December 2014 is as follows:

| | (S\$'000) |
|---|----------------|
| NTA of the Group as at 31 December 2014 | 194,886 |
| Add: Revaluation surplus from the properties | 164,946 |
| Revalued NTA of the Group as at 31 December 2014 | 359,832 |
| Less: FY2014 Dividend | (2,000) |
| Adjusted NTA of the Group as at 31 December 2014 | 357,832 |

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

| | |
|---|-------------|
| Number of issued FEB Shares as at the Latest Practicable Date | 100,010,566 |
| Adjusted NTA per FEB Share as at 31 December 2014 (S\$) | 3.58 |

Price-to-NTA (“P/NTA”) and Price-to-Adjusted NTA (“P/Adjusted NTA”) ratios of the Group implied by the Offer Price

The NTA based valuation provides an estimate of the value of a company assuming the hypothetical sale of all its assets over a reasonable period of time and would be more relevant for asset-based companies or where the subject company intends to realise or convert the uses of all or most of its assets. Such a valuation approach would be particularly appropriate when applied in circumstances where the business is to cease operations or where the profitability of the business being valued is not sufficient to sustain an earnings based valuation.

As shown in paragraph 7.2.1 of this Letter, the earnings of the Group are relatively small resulting in a very high PER of 185 times based on the net profit after tax of the Group for FY2014. The earnings approach in evaluating the valuation of the Group is therefore not meaningful. We have therefore based our evaluation of the Offer Price mainly on the NTA based valuation approach.

Based on our evaluation of the NTA of the Group above and the Offer Price of S\$3.51 per FEB Share, the Offer Price represents the following premium/(discounts) above/(to) the respective NTAs of the Group as at 31 December 2014:

| As at 31 December 2014 | S\$ | P/NTA (times) | Offer Price as a premium/(discount) above/(to) the NTA % |
|---------------------------|------|------------------|---|
| NTA of the Group | 1.95 | 1.80 | 80.00 |
| Revalued NTA of the Group | 3.60 | 0.98 | (2.50) |
| Adjusted NTA of the Group | 3.58 | 0.98 | (1.96) |

After taking into consideration the revaluation surpluses of the properties and the adjustment for the FY2014 Dividend, the Offer Price represents a small discount of 1.96% to the Adjusted NTA of the Group as at 31 December 2014.

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should be valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2014, and whether there are any factors which have not been otherwise disclosed in the financial statements of the Group that are likely to impact the NTA as at 31 December 2014.

Banking licence of the Company

We note that the Company currently holds a full banking licence from the Monetary Authority of Singapore which allows it to offer a range of banking services permitted under the Banking Act. Such a full banking licence is highly treasured as it is limited in supply and is not easily obtainable. Theoretically, the holder of the licence could therefore command a significant premium for a sale or transfer of the licence to a potential buyer. The balance sheet of the Group does not show the value of the banking licence as an intangible asset nor is the Group required to account for it in its balance sheet under its accounting policy. We note that the Group is majority owned by UOB and the Far Eastern Bank has been operating as a member of the much larger UOB banking group for many years. In addition, the Offer is being made by the majority shareholder of the Company, UOB, to privatise the Company and is not for the purpose of selling or transferring the banking licence to a third party, which is subject to, *inter alia*, various regulatory requirements. In view of the above, it is not relevant to consider the value of the banking licence held by the Group in assessing the Offer Price from the perspective of the Independent FEB Shareholders.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

In respect of the above, we have sought the following confirmation from the FEB Directors and Management, and they have confirmed to us that as at the Latest Practicable Date, to the best of their knowledge and belief:

- (a) save as disclosed above, there are no material differences between the realisable values of the Group's assets and their respective book values as at 31 December 2014 which would have a material impact on the NTA of the Group;
- (b) other than that already provided for or disclosed in the Group's financial statements as at 31 December 2014, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NTA of the Group as at the Latest Practicable Date;
- (c) there are no litigation, claim or proceeding pending or threatened against the Company or the Group or of any fact likely to give rise to any proceeding which might materially and adversely affect the financial position of the Company and the Group taken as a whole;
- (d) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions or disposals of assets by the Group between 31 December 2014 and the Latest Practicable Date nor does the Group have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

For the avoidance of doubt, we have not made any independent evaluation or appraisal of the assets and liabilities (including without limitation, real properties) of the Group, save that we have been provided with the Valuation Report on the Leasehold Property by Colliers and the valuation amount of the Freehold Property by the Group's internal valuers. We are not experts in the evaluation or appraisal of the assets concerned and we have placed sole reliance on the Valuation Report and the internal valuation, and have not made any independent verification of the contents thereof. We do not assume any responsibility to inquire about the basis of such valuations or if the contents thereof have been prepared and/or included in the Composite Document in accordance with all applicable regulatory requirements including Rule 26 of the Code.

7.3 Comparison with recently completed privatisation of companies listed on the SGX-ST Main Board and the SGX-ST Catalyst

We note that the intention of the Offeror is to privatise the Company and exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act to make the Company its wholly-owned subsidiary.

In assessing the reasonableness of the Offer Price in light of the above stated intention of the Offeror, we have compared the financial terms of the Offer with those of selected successful privatisation transactions that were announced and completed since January 2013 and up to the Latest Practicable Date, which were carried out either by way of voluntary delisting exit offers under Rule 1307 of the Listing Manual, offers being made by way of a scheme of arrangement under Section 210 of the Companies Act or general takeover offers under the Code where the offeror has stated its intentions to delist the listed company from the SGX-ST Main Board and the SGX-ST Catalyst ("**Precedent Privatisation Transactions**").

This analysis serves as a general indication of the relevant premia/discounts that the offerors had paid in order to acquire the target companies without having regard to their specific industry characteristics or other considerations, and the comparison sets out the premium or discount represented by each of the respective offer prices to the NTA of the respective target

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

companies. We note that certain Precedent Privatisation Transactions had undertaken revaluations and/or adjustments to their assets which may have a material impact on their latest announced book values. In this respect, we have compared the offer price with the revalued NAV, revalued NTA or adjusted NAV/NTA of the Precedent Privatisation Transactions, where applicable.

We wish to highlight that the target companies listed in the Precedent Privatisation Transactions as set out in the analysis below may not be directly comparable to the Group in terms of size of operations, composition of business activities, asset base, geographical spread, track record, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits. The premium or discount that an offeror pays in any particular privatisation transaction varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence or absence of competing bids for the target company, and the existing and desired level of control in the target company. The list of the Precedent Privatisation Transactions is by no means exhaustive and as such any comparison made only serves as an illustration. Conclusions drawn from the comparisons made may not necessarily reflect the perceived or implied market valuation of the Company.

In particular, none of the target companies in the Precedent Privatisation Transactions are engaged in commercial banking and all these target companies were listed on the SGX-ST, whereas the Company is a public unlisted company engaged in commercial banking.

| Name of company | Sector | Date of announcement | P/NTA (times) |
|--|---|----------------------|--------------------|
| PCA Technology Limited | Electronics manufacturing | 01 Feb 13 | 0.8 ⁽¹⁾ |
| Hup Soon Global Corporation Limited | Distribution of automotive aftermarket products and industrial supplies, agricultural and industrial equipment | 08 Feb 13 | 0.5 ⁽²⁾ |
| Pan Pacific Hotels Global Limited | Hotelier, property owners and the holding of investments | 10 May 13 | 1.0 ⁽³⁾ |
| Tsit Wing International Holdings Limited | Food and beverage supplier and retailer | 14 Jun 13 | 1.1 ⁽⁴⁾ |
| Guthrie GTS Limited | Ownership of commercial and residential assets as well as retail mall management; engineering products and services; ownership of hotels and golf resorts | 21 Jun 13 | 0.8 ⁽⁵⁾ |
| Food Junction Holdings Limited | Operations and management of food courts | 24 Jun 13 | 1.4 |
| Armstrong Industrial Corporation Limited | Foam and rubber components manufacturer | 05 Jul 13 | 2.0 |
| Viz Branz Limited | Production and distribution of a range of instant beverages | 05 Jul 13 | 2.4 ⁽⁶⁾ |
| Berger International Limited | Manufacture and distribution of paints | 21 Aug 13 | 1.7 ⁽⁷⁾ |

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

| Name of company | Sector | Date of announcement | P/NTA (times) |
|-----------------------------------|---|----------------------|-------------------------------------|
| Superior Multi-Packaging Limited | Production and sale of metal pails and cans for the paint, chemical, petrochemical, marine and edible oil industries and the manufacture of a wide range of customised flexible packaging material for the food and beverage, healthcare, pharmaceutical and other industries | 06 Sep 13 | 1.0 |
| Sound Global Ltd. | Turnkey water and wastewater treatment solutions provider | 10 Sep 13 | 1.5 |
| Internet Technology Group Limited | Investment holding and trading | 25 Sep 13 | 0.9 |
| Consciencefood Holding Limited | Manufacturing and sale of instant and snack noodles and beverage products | 28 Sep 13 | 0.9 |
| SuperBowl Holdings Limited | Leisure and recreational facilities and investment of commercial properties | 07 Oct 13 | 0.6 ⁽⁸⁾ |
| Devotion Energy Group Limited | Manufacture and specialist provider in energy and thermal related fields | 07 Oct 13 | 0.8 ⁽⁹⁾ |
| Medi-Flex Limited | Glove manufacturer | 11 Oct 13 | 3.2 ⁽¹⁷⁾ |
| People's Food Holdings Limited | Producer of fresh and frozen meat and processed meat products | 19 Oct 13 | 1.2 |
| Kreuz Holdings Limited | Integrated subsea services provider to the offshore oil and gas industry | 5 Nov 13 | 1.8 |
| China Energy Limited | Production and distribution of dimethyl ether | 11 Nov 13 | 4.9 ⁽¹⁰⁾ ⁽¹⁷⁾ |
| WBL Corporation Limited | Multinational conglomerate in automotive, property, technology and engineering business | 19 Nov 13 | 1.4 |
| Malacca Trust Limited | Financial services provider to retail and institutional customers | 23 Dec 13 | 2.1 |
| Singapore Land Limited | Property developer for investment holding, property management and investment in hotels and retail centres | 24 Feb 14 | 0.7 ⁽¹¹⁾ |
| Chemoil Energy Limited | Physical supplier in the marine fuel industry | 25 Feb 14 | 1.1 |
| Asia Power Corporation Limited | Ownership, management and operation of power plants | 24 Mar 14 | 0.6 |
| Capitamalls Asia Limited | Shopping mall developer | 14 Apr 14 | 0.9 ⁽¹²⁾ |
| ASJ Holdings Limited | Manufacturing and sale of resistors and distributors of electronic and non-electronic components | 7 May 14 | 0.7 ⁽¹³⁾ |
| Goodpack Limited | Intermediate bulk container solutions provider | 27 May 14 | 3.1 ⁽¹⁷⁾ |
| Lee Kim Tah Holdings Limited | Construction, property development and investments | 25 Sep 14 | 0.9 ⁽¹⁴⁾ |

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

| Name of company | Sector | Date of announcement | P/NTA (times) |
|----------------------|--|----------------------|---------------------|
| UE E&C Ltd. | Provider of integrated building solutions | 3 Oct 14 | 1.2 ⁽¹⁵⁾ |
| ECS Holdings Limited | Investment holding and distribution of information, communications and technology products | 14 Nov 14 | 0.7 ⁽¹⁶⁾ |

| | |
|---------------|------------|
| High | 4.9 |
| Low | 0.5 |
| Mean | 1.1 |
| Median | 1.0 |

| | | |
|---|------------------|--|
| The Company (implied by the Offer Price) | 11 Mar 15 | 0.98 (based on the Adjusted NTA of the Group as at 31 Dec 14) |
|---|------------------|--|

Source: SGX-ST announcements and circulars to shareholders in relation to the Precedent Privatisation Transactions.

Notes:

- (1) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of PCA Technology Limited as at 31 August 2012;
- (2) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of Hup Soon Global Corporation Limited as at 31 December 2012;
- (3) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Pan Pacific Hotels Group Limited as at 31 March 2013;
- (4) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of Tsit Wing International Holdings Limited as at 31 March 2013;
- (5) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Guthrie GTS Limited as at 31 March 2013;
- (6) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of Viz Branz Limited as at 31 March 2013;
- (7) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of Berger International Limited as at 31 March 2013;
- (8) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of SuperBowl Holdings Limited as at 30 September 2013;
- (9) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the properties of Devotion Energy Group Limited as at 30 June 2013;
- (10) Based on the revalued NTA per share before deduction of land use rights of China Energy Limited as at 31 March 2014. The proposed voluntary delisting of China Energy Limited was announced on 11 November 2013, and the company was successfully delisted on 19 November 2014;
- (11) Based on the revalued NTA per share as adjusted for the net revaluation surplus on the hotel properties of Singapore Land Limited as at 31 December 2013;

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

- (12) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of CapitaMalls Asia Limited as at 31 March 2014;
- (13) Based on the revalued NTA per share as adjusted for the net revaluation surplus on certain property, plant and equipment of ASJ Holdings Limited as at 30 April 2014;
- (14) Based on the revalued NAV per share as adjusted for the net revaluation surplus on the properties of Lee Kim Tah Holdings Limited as at 30 June 2014;
- (15) Based on the revalued NAV per share as adjusted for the change in carrying value of investments in associates and joint ventures of UE E&C Ltd. as at 30 September 2014;
- (16) Based on the unaudited NTA per share after deducting for intangible assets of ECS Holdings Limited as at 30 September 2014; and
- (17) Excluded as statistical outlier in the mean and median computations.

Based on the above, we note that the P/Adjusted NTA ratio of 0.98 times as implied by the Offer Price is within range of the corresponding P/NTA ratios of the Precedent Privatisation Transactions and below the mean and close to the median of the corresponding P/NTA ratios of the Precedent Privatisation Transactions.

Independent FEB Shareholders should note that the above comparison with the Precedent Privatisation Transactions is purely for illustrative purposes only.

7.4 Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group

The Group is principally engaged in the business of commercial banking. For the purpose of assessing the Offer Price, we have attempted to compare the valuation ratios of the Company implied by the Offer Price with those of selected companies listed on the SGX-ST that are involved in commercial banking and/or financing business which can be considered as broad proxies to the core business of the Company. In this regard, there are six SGX-ST listed companies, of which three are the full licensed commercial banks in Singapore, namely DBS Group Holdings Ltd, Oversea-Chinese Banking Corporation Limited and UOB, and three are the local finance companies, namely Hong Leong Finance Limited ("**Hong Leong Finance**"), Sing Investments & Finance Limited ("**Sing Investments**") and Singapura Finance Ltd ("**Singapura Finance**").

Based on the Company's market capitalisation of approximately S\$351.04 million implied by the Offer Price and for a more meaningful comparison with the Group, we have excluded the three full licensed commercial banks as their market capitalisations are very huge with each exceeding S\$30 billion as at the Latest Practicable Date. We have therefore considered only the three local finance companies, namely Hong Leong Finance, Sing Investments and Singapura Finance as comparable companies ("**Comparable Companies**").

We have had discussions with the Management about the suitability and reasonableness of the Comparable Companies acting as a basis for comparison with the Group. Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information. The Comparable Companies' accounting policies with respect to the values for which the assets, revenue or cost are recorded may differ from that of the Group.

We wish to highlight that the Comparable Companies may not be exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical spread of activities, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made herein is necessarily limited and it may be difficult to place reliance on the comparison of valuation statistics for the Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

A brief description of the Comparable Companies, as extracted from Bloomberg L.P. is set out below:

| Company name | Principal business |
|--------------------|--|
| Hong Leong Finance | Hong Leong Finance provides depository and financing services to its clients. The company's services include hire purchase, leasing, factoring, mortgages, and other secured loans in the commercial, industrial and consumer sectors. |
| Sing Investments | Sing Investments provides loans and credit services to individuals and businesses. The company also offers deposit, hire purchase financing, mortgage lending, stock and share financing, trade and inventory financing, equipment leasing and nominee services. |
| Singapura Finance | Singapura Finance provides loans and advances upon the security of freehold or leasehold properties by way of mortgages. Through its subsidiaries, the company also provides estate agency, management and nominee services. |

Source: Bloomberg L.P.

For the purpose of our evaluation and for illustration, we have made comparison between the Group and the Comparable Companies using the following bases:

- (i) The historical PER is commonly used for the purpose of illustrating the profitability and hence the valuation of a company as a going concern; and
- (ii) The P/NTA ratio or NTA approach is used to show the extent the value of each share is backed by its net tangible assets. The NTA approach of valuing a group of companies is based on the aggregate value of all the assets of the group in their existing condition, after deducting the sum of all liabilities and intangible assets of the group.

| Company name | Last financial year end | Market capitalisation as at Latest Practicable Date (\$'million) | PER ⁽¹⁾ (times) | P/NTA ratio ⁽²⁾ (times) |
|---|-------------------------|--|----------------------------|---|
| Hong Leong Finance | 31 Dec 2014 | 1,162.17 | 18.51 | 0.70 |
| Sing Investments | 30 Jun 2014 | 210.43 | 16.62 | 0.67 |
| Singapura Finance | 31 Dec 2014 | 166.62 | 26.45 | 0.67 |
| High | | | 26.45 | 0.70 |
| Low | | | 16.62 | 0.67 |
| Mean | | | 20.53 | 0.68 |
| Median | | | 18.51 | 0.67 |
| The Company (implied by the Offer Price) | 31 Dec 2014 | 351.04 | 185.05 | 0.98 (based on the Group's Adjusted NTA as at 31 Dec 14) |

Source: Bloomberg L.P., annual reports and latest publicly available financial information on the Comparable Companies.

Notes:

- (1) The PERs of the selected Comparable Companies are computed based on their respective latest published full year earnings or trailing 12 months earnings, where applicable, as at the Announcement Date; and
- (2) The P/NTA ratios of the Comparable Companies are computed based on their respective NTA values as set out in their latest published financial statements as at the Announcement Date.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

Based on the above, we note that:

- (a) As discussed in Section 7.2.1 of this Letter, the historical PER of the Group of 185.05 times as implied by the Offer Price is a statistical outlier as it is well above the upper end of the range of the PERs of the Comparable Companies and therefore is not meaningful for the purpose of comparison with the PERs of the Comparable Companies; and
- (b) The P/Adjusted NTA ratio of the Group of 0.98 times as implied by the Offer Price is above the upper end of the range of P/NTA ratios of the Comparable Companies and hence, higher than the mean and median P/NTA of the Comparable Companies.

7.5 Dividend track record of the Company

We set out below the information on the dividends per FEB Share declared by the Company in respect of the last three financial years:

| Dividends declared | FY2012 | FY2013 | FY2014 |
|--|--------|--------|--------|
| Final one-tier tax exempt dividend per FEB Share (S\$) | 0.02 | 0.02 | 0.02 |

Source: The Company's annual report for FY2013 and the Company's audited financial statements for FY2014.

Based on the above, we note that over the last three financial years, the Company had a consistent annual dividend declaration of S\$0.02 per FEB Share. In respect of the FY2014 Dividend, the proposed FY2014 Dividend is subject to approval of FEB Shareholders at the forthcoming AGM of the Company to be held on 23 April 2015. Such payment is expected to be made on 28 April 2015.

As the Offer Shares to be acquired by the Offeror under the Offer exclude the right to receive the FY2014 Dividend, FEB Shareholders will retain the benefit of the FY2014 Dividend (if approved by Shareholders) to be paid by FEB to entitled FEB Shareholders and there will be no reduction to the Offer Price in respect of the FY2014 Dividend.

The Directors have confirmed that the Company does not have a fixed dividend policy and that they will recommend future dividends after taking into consideration the Company's cash and financial position, financial performance of the Group, working capital requirements and projected capital expenditure and other investment plans.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy. There is no assurance that the Company will continue to pay dividends in future and/or maintain the level of dividends paid in the past periods.

7.6 Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment

7.6.1 Minimum Acceptance Condition and compulsory acquisition

The Offer is presently conditional upon the high Minimum Acceptance Condition of 90%, that is, the Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which represents not less than 90% of the Offer Shares as at the close of the Offer. If the Offeror achieves this Minimum Acceptance Condition, it will facilitate the Offeror to proceed to exercise its rights of compulsory acquisition, and thereafter achieve its objective of privatising the Company.

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer in respect of not less than 90% of the total number of issued FEB Shares, the Offeror would be entitled to exercise the right to compulsorily acquire all the FEB Shares of the Independent FEB Shareholders who have not accepted the Offer ("**Dissenting**

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

Shareholders”), at a price equal to the Offer Price. For the purpose of determining the 90% threshold under Section 215(1) of the Companies Act, Shares held by the Offeror, its related corporations and their respective nominees as at the date of the Offer shall not be taken into account.

As at the Latest Practicable Date, the Offeror owns 78,884,677 FEB Shares, representing approximately 78.88% of the total number of issued FEB Shares, and the remaining FEB Shares are the Offer Shares, representing approximately 21.12% of the total number of issued FEB Shares. To achieve the Minimum Acceptance Condition, the Offeror will need to receive acceptances or acquire FEB Shares during the offer period amounting to 90% of the 21.12% FEB Shares, which is equivalent to approximately 19.01% of the total number of issued FEB Shares. Accordingly, the Offeror would have to own, acquire or receive acceptances amounting to 97.89% of the total number of issued FEB Shares to meet the Minimum Acceptance Condition, which is quite a high threshold. In the event that the Offeror does not achieve the Minimum Acceptance Condition, all acceptances received by the Offeror will be returned to the FEB Shareholders and the Offer will lapse.

Pursuant to the Irrevocable Undertakings, the Offeror would have received acceptances from the Undertaking Shareholders in respect of 5,397,302 FEB Shares, representing 5.40% of the total number of issued FEB Shares. Based on the above Minimum Acceptance Condition, the Offeror will need to acquire or receive acceptances for another 13.61% of the total number of issued FEB Shares for the Offer to become unconditional. Otherwise, subject to the Offeror waiving the Acceptance Condition of 90%, the Offer will lapse and the Irrevocable Undertakings will also lapse.

As set out in the terms of the Offer, the Offeror reserves the right to waive the Acceptance Condition of 90% or reduce such condition to a lower level (but which in any event will result in the Offeror holding more than 50% of the total voting rights attributable to the issued FEB Shares), subject to the approval of the SIC. Under this situation, the Offer is expected to become unconditional in all respects but the Offeror may not be able to achieve the relevant threshold to exercise its right of compulsory acquisition under the Companies Act if by the close of the Offer, the Offer has not achieved the 90% threshold according to Section 215(1) of the Companies Act.

7.6.2 Dissenting Shareholders’ rights under Section 215(3) of the Companies Act

Pursuant to Section 215(3) of the Companies Act, Dissenting Shareholders have the right to require the Offeror to acquire their FEB Shares at the Offer Price if the Offeror and its nominees acquire, pursuant to the Offer, such number of FEB Shares which, together with the FEB Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued FEB Shares.

In the event that the Offeror waives or varies the Acceptance Condition and the Offer becomes unconditional, with the acceptances from the Undertaking Shareholders, the Offeror, its related corporations or their respective nominees would reach at least 84.28% shareholding interest in the Company. Dissenting Shareholders will be able to exercise their rights under Section 215(3) of the Companies Act once the Offeror or its nominees acquire another 5.72% of the total number of issued FEB Shares to cross the 90% threshold according to Section 215(3) of the Companies Act. FEB Shareholders should note that the percentage shareholding threshold under Section 215(3) of the Companies Act is lower than the percentage shareholding threshold under Section 215(1) of the Companies Act as shown in this paragraph and paragraph 7.6.1 above.

Dissenting Shareholders who wish to exercise their rights under Section 215(3) of the Companies Act are advised to seek their own independent legal advice.

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

7.6.3 Call Options from the Undertaking Shareholders

Pursuant to the respective Deed of Undertaking, in addition to the Irrevocable Undertaking, each of the Undertaking Shareholders has granted to the Offeror a Call Option which gives the right to the Offeror to purchase from each Undertaking Shareholder all of the FEB Shares owned by each of them respectively at the Offer Price. The FEB Shares are to be acquired free from all Encumbrances and together with all rights, benefits entitlements and advantages attached thereto on terms similar to that under the Offer as set out in Section 2(c), (d) and (e) of the Announcement, which terms shall apply *mutatis mutandis* to the Call Option. The exercise period of the Call Option is 100 days commencing from the date of the Irrevocable Undertakings.

With the benefit of the Call Options, the Offeror can exercise the Call Options, if it so wishes, in the event that the FEB Shares owned by the Undertaking Shareholders are not acquired by the Offeror pursuant to the Offer for any reason.

The Deed of Undertaking will terminate on (a) the settlement date of the Offer Shares tendered for acceptance pursuant to the Irrevocable Undertakings, (b) the date when the Call Option lapses, or (c) the settlement date of the FEB Shares acquired pursuant to the Call Option, whichever is the earliest.

We note that both the Irrevocable Undertakings and the Call Options give the Offeror some degree of certainty of acquiring the FEB Shares from the Undertaking Shareholders either through the Offer or through a private sale and purchase transaction. In the event the Offer lapses, the Offeror could, if it so elects, exercise any or all of the Call Options to acquire these FEB Shares from the Undertaking Shareholders, which will potentially increase the Offeror's shareholding from 78.88% to up to 84.28% of the total number of issued FEB Shares. Under this scenario, the Company will remain as a public unlisted company.

Apart from the above Irrevocable Undertakings and the Call Options, the FEB Directors and Management have confirmed that to the best of their knowledge, as at the Latest Practicable Date, the Offeror has not received any other irrevocable undertakings or been granted any other call options to acquire the FEB Shares.

7.6.4 Likelihood of competing offers

Since the Offeror already owns 78.88% of the total number of issued FEB Shares, the likelihood of a competing offer from any third party is remote. The Irrevocable Undertakings and Call Options potentially further reinforce the majority shareholding control by the Offeror on the Company.

The FEB Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer or proposal from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the FEB Shares from any third party.

As highlighted above, in light of the Irrevocable Undertakings and the Call Options by the Undertaking Shareholders, and the stated intention of the Offeror to exercise its right of compulsory acquisition, if it is entitled to do so, to make the Company its wholly-owned subsidiary, the likelihood of a competing offer from any third party will be remote.

8. OUR RECOMMENDATION TO THE INDEPENDENT FEB SHAREHOLDERS ON THE OFFER

In arriving at our recommendation in respect of the Offer, we have taken into account, reviewed and deliberated on the following key considerations which we consider to be pertinent in our assessment of the Offer:

- (a) No market quotation of the FEB Shares;

APPENDIX A – LETTER FROM PROVENANCE TO INDEPENDENT SHAREHOLDERS OF FEB

- (b) Financial analysis of the Group;
- (c) Comparison with recently completed privatisation of companies listed on the SGX-ST Main Board and the SGX-ST Catalyst;
- (d) Comparison of valuation ratios of selected listed companies which are broadly comparable with the Group;
- (e) Dividend track record of the Company; and
- (f) Other relevant considerations in relation to the Offer which may have a significant bearing on our assessment.

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the view that the financial terms of the Offer are fair and reasonable. Accordingly, we advise the Independent FEB Shareholders to ACCEPT the Offer.

Independent FEB Shareholders should also take note of the following:

- (i) **The Company is a public unlisted company and the FEB Shares are not quoted or traded on the SGX-ST or on any other stock exchanges. Hence, the Independent FEB Shareholders may face difficulties in selling their FEB Shares due to the absence of a public market. The Offer therefore provides the Independent FEB Shareholders with an opportunity to exit from their investments in the Company;**
- (ii) **In the event the Offeror is entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act, and in the view of the intention of the Offeror to privatise the Company, all remaining FEB Shares which have not been tendered for acceptance will be compulsory acquired by the Offeror. This will eventually lead to the privatisation of the Company; and**
- (iii) **Pursuant to Section 215(3) of the Companies Act, if the Offeror acquires such number of FEB Shares pursuant to the Offer which, together with the FEB Shares held by it, its related corporations and their respective nominees, comprise 90.0% or more of the total number of issued FEB Shares (excluding any FEB Shares held in treasury), the Independent FEB Shareholders who have not accepted the Offer have a right to require the Offeror to acquire their FEB Shares at the Offer Price. Dissenting Shareholders who wish to exercise such a right are advised to seek their own independent legal advice.**

In rendering the above advice, we have not given regard to the specific investment objectives, financial situation, tax position or particular needs and constraints of any individual FEB Shareholder. As each individual FEB Shareholder would have different investment objectives and profiles, we would advise that any individual FEB Shareholder who may require specific advice in relation to his investment objectives or portfolio should consult his legal, financial, tax or other professional adviser immediately. In addition, we advise the Independent FEB Shareholders that the opinion and advice of Provenance Capital should not be relied upon by any FEB Shareholder as the sole basis for deciding whether or not to accept the Offer, as the case may be.

Our recommendation is addressed to the Independent FEB Shareholders for their benefit, in connection with and for the purposes of their consideration of the Offer, as the case may be, and may not be used or relied on for any other purposes (other than for the purpose of the Offer) without the prior written consent of Provenance Capital. Our recommendation does not constitute, and should not be relied on as, a recommendation to, or confer any rights upon, any FEB Shareholder as to how such FEB Shareholder should deal with his/her/its shares in relation to the Offer or any matter related thereto.

**APPENDIX A – LETTER FROM PROVENANCE TO
INDEPENDENT SHAREHOLDERS OF FEB**

This Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.



Wong Bee Eng
Chief Executive Officer

This page has been intentionally left blank.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

1. FEB DIRECTORS

The names, addresses and descriptions of the FEB Directors as at the Latest Practicable Date are set out below:

| Name | Address | Description |
|-----------------------|---|--|
| Dr Wee Cho Yaw | 80 Raffles Place UOB Plaza Singapore 048624 | Chairman Emeritus and Adviser |
| Mr Hsieh Fu Hua | 80 Raffles Place UOB Plaza Singapore 048624 | Chairman |
| Mr Wee Ee Cheong | 80 Raffles Place UOB Plaza Singapore 048624 | Deputy Chairman and Chief Executive Officer |
| Mr Wong Meng Meng | 80 Raffles Place UOB Plaza Singapore 048624 | Non-independent and Non-executive Director |
| Mr Franklin Leo Lavin | 80 Raffles Place UOB Plaza Singapore 048624 | Independent and Non-executive Director |

2. PRINCIPAL ACTIVITIES OF FEB

FEB was incorporated in Singapore on 21 August 1958 and is a public unlisted company. It is a banking subsidiary of UOB and offers a range of commercial banking and financial services.

3. SHARE CAPITAL OF FEB

3.1 Issued Share Capital

As at the Announcement Date, FEB has an issued and paid-up share capital of S\$100,010,566.00 comprising 100,010,566 issued Shares. As at the Latest Practicable Date, FEB does not hold any Shares in treasury.

3.2 Rights in Respect of Voting, Dividends and Capital

The rights of Shareholders in respect of capital, dividends and voting are contained in the Articles, which are available for inspection at FEB's registered office at 80 Raffles Place, UOB Plaza, Singapore 048624. The provisions in the Articles relating to the rights of Shareholders in respect of capital, dividends and voting are reproduced in Appendix D to this FEB Letter. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Articles and/or the Companies Act.

3.3 Number of Shares issued since the end of the last financial year

No new Shares have been issued since 31 December 2014 up to the Latest Practicable Date.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

3.4 Options and convertible instruments

There are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting the Shares.

3.5 Transactions in Shares

26,599 Shares were transferred on 16 February 2015 for nil consideration (by way of a gift). Save as disclosed above and based on information available to FEB, no Shares were sold in the period commencing from six (6) months preceding the Joint Announcement Date until the Latest Practicable Date.

4. DISCLOSURE OF INTERESTS

4.1 Shareholdings

- (a) **Interests of FEB in UOB Securities:** FEB does not have any direct or deemed interest in UOB Securities as at the Latest Practicable Date.
- (b) **Dealings in UOB Securities by FEB:** FEB has not dealt for value in the UOB Securities during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.
- (c) **Interests of the FEB Directors in UOB Securities:** Save as disclosed below, none of the FEB Directors has any direct or deemed interest in the UOB Securities as at the Latest Practicable Date.

| Name of FEB Director | No. of UOB Shares | | | |
|----------------------|-------------------|-----------------|----------------|-------|
| | Direct interest | Deemed interest | Total interest | % |
| Dr Wee Cho Yaw | 19,301,917 | 270,070,084 | 289,372,001 | 18.06 |
| Mr Hsieh Fu Hua | – | 25,000 | 25,000 | 0.002 |
| Mr Wee Ee Cheong | 3,125,918 | 161,463,970 | 164,589,888 | 10.27 |

Note: Percentage is calculated based on the total number of issued UOB Shares (excluding treasury shares of UOB) as at the Latest Practicable Date.

- (d) **Dealings in UOB Securities by the FEB Directors:** None of the FEB Directors has dealt for value in the UOB Securities during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.
- (e) **Interests of the FEB Directors in Company Securities:** None of the FEB Directors has any direct or deemed interest in the Company Securities as at the Latest Practicable Date.
- (f) **Dealings in Company Securities by the FEB Directors:** None of the FEB Directors has dealt for value in the Company Securities during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

- (g) **Company Securities owned or controlled by Provenance:** None of Provenance, its related corporations or any funds whose investments are managed by Provenance on a discretionary basis owns or controls any Company Securities as at the Latest Practicable Date.
- (h) **Dealings in Company Securities by Provenance:** None of Provenance, its related corporations or any funds whose investments are managed by Provenance on a discretionary basis has dealt for value in any Company Securities during the period commencing six (6) months prior to the Joint Announcement and ending on the Latest Practicable Date.
- (i) **UOB Securities owned or controlled by Provenance:** As at the Latest Practicable Date, Ms Wong Bee Eng, the Chief Executive Officer of Provenance, owns 5,796 UOB Shares. Save as disclosed in this FEB Letter, none of Provenance, its related corporations or any funds whose investments are managed by Provenance on a discretionary basis owns or controls any UOB Securities as at the Latest Practicable Date.

4.2 FEB Directors' Intentions in relation to Acceptance or Rejection of the Offer

None of the FEB Directors beneficially owns any Shares.

4.3 Other Disclosures

(a) FEB Directors' service contracts

As at the Latest Practicable Date:

- (i) there are no service contracts between any of the FEB Directors or any proposed director of FEB and FEB or its subsidiary which have more than 12 months to run and which cannot be terminated by FEB or its subsidiary within the next 12 months without paying any compensation; and
- (ii) there are no such service contracts which have been entered into or amended during the period commencing six (6) months prior to the Joint Announcement Date and ending on the Latest Practicable Date.

(b) Arrangements affecting FEB Directors

As at the Latest Practicable Date:

- (i) it is not proposed that any payment or other benefit be made or given to any FEB Director or director of any other corporation which is by virtue of Section 6 of the Companies Act deemed to be related to FEB, as compensation for loss of office or otherwise in connection with the Offer;

APPENDIX B – ADDITIONAL GENERAL INFORMATION

- (ii) there are no agreements or arrangements made between any FEB Directors and any other person in connection with or conditional upon the outcome of the Offer; and
- (iii) none of the FEB Directors has a material personal interest, whether direct or indirect, in any material contract entered into by UOB.

5. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Save as disclosed below, neither FEB nor its subsidiary has entered into material contracts with persons who are interested persons¹ (other than those entered into in the ordinary course of business) during the period commencing three (3) years prior to the Joint Announcement Date and ending on the Latest Practicable Date:

- (a) FEB has paid to UOB an annual fee of S\$7,097,000 for each of FY2012, FY2013 and FY2014 for management, business and operational support rendered by UOB to FEB, such fee being based on a formula agreed to between the parties.
- (b) UOB has paid to FEB rental income of S\$2,928,000 for FY2012, S\$3,048,000 for FY2013 and S\$4,045,000 for FY2014 for the use of tenanted areas of the buildings owned by FEB, such fee being agreed and adjusted by the parties annually.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, the FEB Directors are not aware of any material litigation, claims or proceedings pending or threatened against, or made by, FEB or its subsidiary or any facts likely to give rise to any such material litigation, claims or proceedings, which might materially and adversely affect the financial position of FEB and its subsidiary, taken as a whole.

7. SUMMARY OF FINANCIAL PERFORMANCE OF THE FEB GROUP

A summary of the audited consolidated income statements of the FEB Group for FY2012, FY2013 and FY2014 are set out in the table below. The summary is extracted from, and should be read in conjunction with, the audited consolidated financial statements of the FEB Group for FY2012 and FY2013 (copies of which are available for inspection as mentioned in paragraph 15 (Documents for Inspection) of this Appendix B) and for FY2014 (a copy of which is set out in Appendix C to this FEB Letter).

¹ An “interested person” is defined in the Note on Rule 23.12 of the Code to mean:

- (a) a director, chief executive officer or substantial shareholder of FEB;
- (b) the immediate family of a director, the chief executive officer or a substantial shareholder (being an individual) of FEB;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

| | Audited FY2012 (S\$'000) | Audited FY2013 (S\$'000) | Audited FY2014 (S\$'000) |
|---|-----------------------------|-----------------------------|-----------------------------|
| Total income | 12,037 | 11,755 | 12,429 |
| Profit before tax | 1,600 | 1,663 | 2,272 |
| Profit after tax | 1,375 | 1,443 | 1,897 |
| Shareholders' equity | 197,123 | 195,074 | 194,886 |
| Return on average ordinary shareholders' equity (%) | 0.7 | 0.7 | 1.0 |
| Per share | | | |
| Basic earnings (cents) | 1.4 | 1.4 | 1.9 |
| Net asset value (\$) | 1.97 | 1.95 | 1.95 |
| Final dividend (cents) | 2.0 | 2.0 | 2.0 |

8. SUMMARY OF FINANCIAL POSITION OF THE FEB GROUP

A summary of the audited consolidated balance sheet of the FEB Group as at 31 December 2014 is set out in the table below. The summary is extracted from, and should be read in conjunction with, the audited consolidated financial statements of the FEB Group for FY2014 (a copy of which is set out in Appendix C to this FEB Letter).

| | Audited As at 31 December 2014 \$'000 |
|-------------------------------------|---|
| Equity | |
| Share capital | 100,011 |
| Retained earnings | 14,667 |
| Other reserves | 80,208 |
| Total equity | 194,886 |
| Liabilities | |
| Deposits and balances of: | |
| Non-bank customers | 791,382 |
| Fellow subsidiaries | 438 |
| Holding company | 22,727 |
| Bills and drafts payable | 586 |
| Derivative financial liabilities | 17 |
| Other liabilities | 2,218 |
| Tax payable | 496 |
| Total liabilities | 817,864 |
| Total equity and liabilities | 1,012,750 |

APPENDIX B – ADDITIONAL GENERAL INFORMATION

| | Audited As at 31 December 2014 \$'000 |
|---|--|
| Assets | |
| Cash, balances and placements with central bank | 25,890 |
| Singapore Government treasury bills and securities | 128,881 |
| Placements and balances with banks | 8,122 |
| Loans to non-bank customers | 87,789 |
| Placements with fellow subsidiaries | 258 |
| Placements with and amount owing by holding company | 649,192 |
| Investment securities | 102,076 |
| Other assets | 1,863 |
| Deferred tax assets | 1,254 |
| Investment in a fellow associate | 1,099 |
| Investment properties | 5,826 |
| Fixed assets | 500 |
| Total assets | 1,012,750 |
| Off-balance sheet items | |
| Contingent liabilities | 17,363 |
| Financial derivatives | 647 |
| Commitments | 80,703 |

9. MATERIAL CHANGES IN FINANCIAL POSITION OF THE FEB GROUP

As at the Latest Practicable Date, save as disclosed in this FEB Letter, there has been no known material change in the financial position of FEB since 31 December 2014, being the date of the last audited consolidated financial statements of the FEB Group.

10. SIGNIFICANT ACCOUNTING POLICIES

The audited consolidated financial statements of the FEB Group for FY2014 have been prepared in accordance with the Singapore Financial Reporting Standards. A summary of the significant accounting policies of FEB are set out in Note 2 to the audited consolidated financial statements of the FEB Group for FY2014 (a copy of which is set out in Appendix C to this FEB Letter).

11. CHANGES IN ACCOUNTING POLICIES

As at the Latest Practicable Date, there has been no change in the accounting policies of FEB since the date of its audited consolidated financial statements for FY2014 which will cause the figures set out in paragraph 7 (Summary of Financial Performance of the FEB Group) and paragraph 8 (Summary of Financial Position of the FEB Group) of this Appendix B to be not comparable to a material extent.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

12. MATERIAL CHANGES IN INFORMATION

Save as disclosed in this Composite Document and save for the information relating to FEB and the Offer that is publicly available, there has been no material change in any information previously published by or on behalf of FEB during the period commencing on the Joint Announcement Date and ending on the Latest Practicable Date.

13. VALUATION OF THE PROPERTY

FEB has, for the purpose of the Offer, commissioned an independent valuation of the Property by the Valuer. The Valuation Report dated 13 January 2015 is set out in Appendix E to this FEB Letter. Under Rule 26.3 of the Code, FEB is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the assets, which are the subject of a valuation given in connection with an offer, were to be sold at the amount of the valuation. As FEB intends to hold the Property for long-term investment purposes and for its own use for its banking operations, there may not be any tax liability which may arise from the revaluation surplus from the Property. Please also refer to Section 7.2.2 of the IFA Letter as set out on page A-13 of this FEB Letter.

14. GENERAL

- (a) All expenses and costs incurred by FEB in relation to the Offer will be borne by FEB.
- (b) Provenance has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of (i) its name; (ii) the IFA Letter; and (iii) all references thereto in the form and context in which they appear in this Composite Document.
- (c) The Valuer has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of (i) its name; (ii) the Valuation Report; and (iii) all references thereto in the form and context in which they appear in this Composite Document.

15. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at 80 Raffles Place, UOB Plaza 2 #04-20, Singapore 048624, during normal business hours, during the period which the Offer remains open for acceptance:

- (a) the Joint Announcement;
- (b) the Memorandum and Articles of Association of FEB;
- (c) the annual reports of FEB for FY2012 and FY2013;
- (d) the audited consolidated financial statements of the FEB Group for FY2014;
- (e) the IFA Letter;
- (f) the Valuation Report; and
- (g) the letters of consent from Provenance and the Valuer referred to in paragraph 13 of this Appendix B.

This page has been intentionally left blank.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Company Registration No. 195800116D

Directors' Report and Audited Financial Statements

FAR EASTERN BANK LIMITED AND ITS SUBSIDIARY

31 December 2014

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary General Information

Directors

Wee Cho Yaw (*Chairman Emeritus and Adviser*)

Hsieh Fu Hua (*Chairman*)

Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)

Wong Meng Meng

Franklin Leo Lavin

Secretary

Vivien Chan

Registered Office

80 Raffles Place

UOB Plaza

Singapore 048624

Auditor

Ernst & Young LLP

Index Page

| | |
|------------------------------------|----|
| Directors' Report | 1 |
| Statement by Directors | 3 |
| Independent Auditor's Report | 4 |
| Income Statements | 5 |
| Statements of Comprehensive Income | 6 |
| Balance Sheets | 7 |
| Statements of Changes in Equity | 8 |
| Consolidated Cash Flow Statement | 10 |
| Notes to the Financial Statements | 11 |

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary Directors' Report for the financial year ended 31 December 2014

The directors are pleased to present their report to the members together with the audited financial statements of Far Eastern Bank Limited (the Bank) and its subsidiary (collectively, the Group) for the financial year ended 31 December 2014.

Directors

The directors of the Bank in office at the date of this report are:

Wee Cho Yaw (*Chairman Emeritus and Adviser*)
Hsieh Fu Hua (*Chairman*)
Wee Ee Cheong (*Deputy Chairman and Chief Executive Officer*)
Wong Meng Meng
Franklin Leo Lavin

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Bank a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Bank to acquire benefits by means of the acquisition of shares or debentures of the Bank or any other body corporate.

Directors' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, interests in shares of the Bank or related corporations as stated below:

| | Direct interest | | Deemed interest | |
|--|-----------------|--|-----------------|--|
| | At 31.12.2014 | At 1.1.2014 or date of appointment | At 31.12.2014 | At 1.1.2014 or date of appointment |
| United Overseas Bank Limited | | | | |
| Ordinary shares | | | | |
| Wee Cho Yaw | 19,301,917 | 18,820,027 | 270,070,084 | 263,395,874 |
| Hsieh Fu Hua | – | – | 25,000 | 25,000 |
| Wee Ee Cheong | 3,125,918 | 3,047,878 | 161,463,970 | 157,432,871 |
| 4.90% non-cumulative non-convertible perpetual capital securities | | | | |
| Wee Cho Yaw | – | – | – | \$7,000,000 |
| Wee Ee Cheong | – | – | – | \$7,000,000 |
| United Overseas Insurance Limited | | | | |
| Ordinary shares | | | | |
| Wee Cho Yaw | 38,100 | 38,100 | – | – |

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Bank has received or become entitled to receive a benefit by reason of a contract made by the Bank or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary
Directors' Report for the financial year ended 31 December 2014

Directors' remuneration

The basic fee for service on the Board and additional fees for membership of Board Committees of the Bank are based on the following annual fee structure:

| | Chairman | Member |
|------------------------|-----------------|---------------|
| Fee Structure | \$ | \$ |
| Basic Fee | 10,000 | 5,000 |
| Executive Committee | - | 2,500 |
| Nominating Committee | 2,500 | 1,250 |
| Remuneration Committee | 2,500 | 1,250 |

Details of the total fees and other remuneration paid/payable to the directors of the Bank for the financial year ended 31 December 2014 are as follows:

| | Directors' fees | Salary | Bonus | Benefits-in- kind and others | Total |
|--|----------------------------|---------------|--------------|---|--------------|
| | \$ | \$ | \$ | \$ | \$ |
| Wee Cho Yaw | 8,750 | - | - | - | 8,750 |
| Hsieh Fu Hua | 15,000 | - | - | - | 15,000 |
| Wee Ee Cheong | - | - | - | - | - |
| Cham Tao Soon (retired on 23 April 2014) | 5,000 | - | - | - | 5,000 |
| Wong Meng Meng | 7,500 | - | - | - | 7,500 |
| Franklin Leo Lavin | 8,750 | - | - | - | 8,750 |

Auditor

Ernst & Young LLP has expressed its willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Hsieh Fu Hua
Chairman

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Singapore
12 February 2015

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary
Statement by Directors for the financial year ended 31 December 2014

We, Hsieh Fu Hua and Wee Ee Cheong, being two of the directors of Far Eastern Bank Limited, do hereby state that, in the opinion of the directors:

- (a) the accompanying balance sheets, income statements, statements of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Bank and of the Group as at 31 December 2014, the results of the business and changes in equity of the Bank and the Group and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Bank will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Hsieh Fu Hua
Chairman

Wee Ee Cheong
Deputy Chairman & Chief Executive Officer

Singapore
12 February 2015

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary Independent Auditor's Report for the financial year ended 31 December 2014

Independent Auditor's Report to the Members of Far Eastern Bank Limited

Report on the financial statements

We have audited the accompanying financial statements of Far Eastern Bank Limited (the Bank) and its subsidiary (collectively, the Group) set out on pages 5 to 38, which comprise the balance sheets of the Bank and Group as at 31 December 2014, the income statements, the statements of comprehensive income, and the statements of changes in equity of the Bank and Group and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Group and the financial statements of the Bank are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards, including the modification of the requirements of FRS 39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning by Notice to Banks No. 612 "Credit Files, Grading and Provisioning" issued by the Monetary Authority of Singapore, so as to give a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2014, of the results and changes in equity of the Group and of the Bank and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Bank and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG LLP
Public Accountants and Chartered Accountants

Singapore
12 February 2015

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary
Income Statements for the financial year ended 31 December 2014

| | Note | The Group and The Bank | |
|---|------|------------------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Interest income | 3 | 6,564 | 6,563 |
| Less: Interest expense | 4 | 2,020 | 1,969 |
| Net interest income | | 4,544 | 4,594 |
| Fee and commission income | 5 | 1,020 | 843 |
| Rental income | 6 | 5,407 | 4,741 |
| Other operating income | 7 | 1,458 | 1,577 |
| Non-interest income | | 7,885 | 7,161 |
| Total operating income | | 12,429 | 11,755 |
| Less: Staff costs | 8 | 585 | 631 |
| Other operating expenses | 9 | 9,642 | 9,556 |
| Total operating expenses | | 10,227 | 10,187 |
| Operating profit before write-back of impairment charges | | 2,202 | 1,568 |
| Add: Write-back of impairment charges | 10 | 70 | 95 |
| Profit before tax | | 2,272 | 1,663 |
| Less: Tax | 11 | 375 | 220 |
| Profit for the financial year attributable to equity holders of the Bank | | 1,897 | 1,443 |

The accounting policies and explanatory notes form an integral part of the financial statements.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary
Statements of Comprehensive Income for the financial year ended 31 December 2014

| | Note | The Group and The Bank | |
|--|------|------------------------|----------------|
| | | 2014 \$'000 | 2013 \$'000 |
| Profit for the financial year | | 1,897 | 1,443 |
| Change in available-for-sale reserve | | | |
| Change in fair value | | (84) | (1,477) |
| Transfer to income statement on disposal/impairment | | (19) | (320) |
| Tax relating to available-for-sale reserve | | 18 | 305 |
| | | <hr/> | <hr/> |
| Other comprehensive income for the financial year, net of tax | 14 | (85) | (1,492) |
| | | <hr/> | <hr/> |
| Total comprehensive income for the financial year, net of tax | | 1,812 | (49) |

The accounting policies and explanatory notes form an integral part of the financial statements.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

**Far Eastern Bank Limited and Its Subsidiary
Balance Sheets as at 31 December 2014**

| | Note | The Group | | The Bank | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Equity | | | | | |
| Share capital | 12 | 100,011 | 100,011 | 100,011 | 100,011 |
| Retained earnings | 13 | 14,667 | 14,770 | 14,663 | 14,766 |
| Other reserves | 14 | 80,208 | 80,293 | 80,208 | 80,293 |
| Total equity | | 194,886 | 195,074 | 194,882 | 195,070 |
| Liabilities | | | | | |
| Deposits and balances of: | | | | | |
| Non-bank customers | 16 | 791,382 | 818,357 | 791,382 | 818,357 |
| Fellow subsidiaries | | 438 | 628 | 438 | 628 |
| Subsidiary | | – | – | 12 | 12 |
| Holding company | | 22,727 | 21,334 | 22,727 | 21,334 |
| | | 814,547 | 840,319 | 814,559 | 840,331 |
| Bills and drafts payable | | 586 | 2,802 | 586 | 2,802 |
| Derivative financial liabilities | 28 | 17 | 5 | 17 | 5 |
| Other liabilities | 17 | 2,218 | 1,990 | 2,215 | 1,987 |
| Tax payable | | 496 | 386 | 496 | 386 |
| Total liabilities | | 817,864 | 845,502 | 817,873 | 845,511 |
| Total equity and liabilities | | 1,012,750 | 1,040,576 | 1,012,755 | 1,040,581 |
| Assets | | | | | |
| Cash, balances and placements with central bank | 30 | 25,890 | 26,521 | 25,890 | 26,521 |
| Singapore Government treasury bills and securities | 18 | 128,881 | 128,984 | 128,881 | 128,984 |
| Placements and balances with banks | 19 | 8,122 | 7,992 | 8,122 | 7,992 |
| Loans to non-bank customers | 20 | 87,789 | 102,363 | 87,789 | 102,363 |
| Placements with fellow subsidiaries | | 258 | 282 | 258 | 282 |
| Placements with and amount owing by holding company | | 649,192 | 642,892 | 649,192 | 642,892 |
| Derivative financial assets | 28 | – | 1 | – | 1 |
| Investment securities | 21 | 102,076 | 121,093 | 102,076 | 121,093 |
| Other assets | 22 | 1,863 | 1,505 | 1,863 | 1,505 |
| Deferred tax assets | 11 | 1,254 | 1,234 | 1,254 | 1,234 |
| Investment in a fellow associate | 23 | 1,099 | 1,037 | 1,099 | 1,037 |
| Investment in a subsidiary | 24 | – | – | 5 | 5 |
| Investment properties | 25 | 5,826 | 6,266 | 5,826 | 6,266 |
| Fixed assets | 26 | 500 | 406 | 500 | 406 |
| Total assets | | 1,012,750 | 1,040,576 | 1,012,755 | 1,040,581 |
| Off-balance sheet items | | | | | |
| Contingent liabilities | 27 | 17,363 | 16,636 | 17,363 | 16,636 |
| Financial derivatives | 28 | 647 | 1,030 | 647 | 1,030 |
| Commitments | 29 | 80,703 | 83,053 | 80,703 | 83,053 |

The accounting policies and explanatory notes form an integral part of the financial statements.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary
Statements of Changes in Equity for the financial year ended 31 December 2014

| | The Group | | | Total equity \$'000 |
|--|----------------------------|--------------------------------|-----------------------------|---------------------------|
| | Share capital \$'000 | Retained earnings \$'000 | Other reserves \$'000 | |
| 2014 | | | | |
| Balance at 1 January | 100,011 | 14,770 | 80,293 | 195,074 |
| Profit for the financial year | – | 1,897 | – | 1,897 |
| Other comprehensive income for the financial year | – | – | (85) | (85) |
| Total comprehensive income for the financial year | – | 1,897 | (85) | 1,812 |
| Dividends | – | (2,000) | – | (2,000) |
| Balance at 31 December | 100,011 | 14,667 | 80,208 | 194,886 |
| 2013 | | | | |
| Balance at 1 January | 100,011 | 15,327 | 81,785 | 197,123 |
| Profit for the financial year | – | 1,443 | – | 1,443 |
| Other comprehensive income for the financial year | – | – | (1,492) | (1,492) |
| Total comprehensive income for the financial year | – | 1,443 | (1,492) | (49) |
| Dividends | – | (2,000) | – | (2,000) |
| Balance at 31 December | 100,011 | 14,770 | 80,293 | 195,074 |
| Note | 12 | 13 | 14 | |

The accounting policies and explanatory notes form an integral part of the financial statements.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary
Statements of Changes in Equity for the financial year ended 31 December 2014

| | The Bank | | | Total equity \$'000 |
|--|----------------------------|--------------------------------|-----------------------------|---------------------------|
| | Share capital \$'000 | Retained earnings \$'000 | Other reserves \$'000 | |
| 2014 | | | | |
| Balance at 1 January | 100,011 | 14,766 | 80,293 | 195,070 |
| Profit for the financial year | – | 1,897 | – | 1,897 |
| Other comprehensive income for the financial year | – | – | (85) | (85) |
| Total comprehensive income for the financial year | – | 1,897 | (85) | 1,812 |
| Dividends | – | (2,000) | – | (2,000) |
| Balance at 31 December | 100,011 | 14,663 | 80,208 | 194,882 |
| 2013 | | | | |
| Balance at 1 January | 100,011 | 15,323 | 81,785 | 197,119 |
| Profit for the financial year | – | 1,443 | – | 1,443 |
| Other comprehensive income for the financial year | – | – | (1,492) | (1,492) |
| Total comprehensive income for the financial year | – | 1,443 | (1,492) | (49) |
| Dividends | – | (2,000) | – | (2,000) |
| Balance at 31 December | 100,011 | 14,766 | 80,293 | 195,070 |
| Note | 12 | 13 | 14 | |

The accounting policies and explanatory notes form an integral part of the financial statements.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Consolidated Cash Flow Statement for the financial year ended 31 December 2014

| | 2014 | 2013 |
|---|----------------|-----------------|
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Operating profit before write-back of impairment charges | 2,202 | 1,568 |
| Adjustments for: | | |
| Depreciation of assets | 519 | 491 |
| Operating profit before working capital changes | 2,721 | 2,059 |
| Increase/(decrease) in working capital: | | |
| Deposit and balances of non-bank customers | (26,975) | (3,007) |
| Bills and drafts payable | (2,216) | 1,909 |
| Other liabilities | 240 | 117 |
| Investment securities | 19,017 | (38,468) |
| Amount owing by intercompany | (5,073) | 45,073 |
| Placement and balances with banks | (130) | 463 |
| Loans to non-bank customers | 14,574 | (14,413) |
| Other assets | (625) | (1,994) |
| Cash generated from/(used in) operations | 1,533 | (8,261) |
| Income tax paid | (267) | (339) |
| Net cash provided/(used in) by operating activities | 1,266 | (8,600) |
| Cash flows from financing activities | | |
| Dividends paid on ordinary shares | (2,000) | (2,000) |
| Net cash used in financing activities | (2,000) | (2,000) |
| Net (decrease) in cash and cash equivalents | (734) | (10,600) |
| Cash and cash equivalents at beginning of the financial year | 155,505 | 166,105 |
| Cash and cash equivalents at end of the financial year (Note 30) | 154,771 | 155,505 |

The accounting policies and explanatory notes form an integral part of the financial statements.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Corporate information

Far Eastern Bank Limited (the Bank) is a limited liability company incorporated and domiciled in Singapore. The Bank is a member of the United Overseas Bank Group and its immediate and ultimate holding company is United Overseas Bank Limited, a company incorporated in Singapore. The registered office of the Bank is at 80 Raffles Place, UOB Plaza, Singapore 048624.

The Bank is principally engaged in the business of banking in all its aspects. The principal activity of its subsidiary is set out in Note 24b to the financial statements.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Bank and its subsidiary (collectively, the Group) have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, with modification to FRS39 Financial Instruments: Recognition and Measurement in respect of loan loss provisioning, as provided in Monetary Authority of Singapore (MAS) Notice 612 Credit Files, Grading and Provisioning.

The financial statements have been prepared under the historical cost convention except as otherwise stated in Notes 2d to 2e and are presented to the nearest thousand in Singapore dollars unless otherwise indicated.

(b) Changes in accounting policies

The Group adopted the following new/revised FRS during the financial year. The adoption of these FRS did not have any significant effect on the financial statements of the Group.

- FRS27 Separate Financial Statements
- FRS28 Investments in Associates and Joint Ventures
- FRS110 Consolidated Financial Statements
- FRS111 Joint Arrangements
- FRS112 Disclosure of Interests in Other Entities
- Amendments to FRS32 – Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS36 – Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS39 – Novation of Derivatives and Continuation of Hedge Accounting

Other than the above changes, the accounting policies applied by the Group in the financial year were consistent with those adopted in the previous financial year.

Future changes in accounting policies

The following new/revised FRS that are in issue will apply to the Group for the financial years as indicated:

Effective for financial year beginning on or after 1 January 2015

- Amendments to FRS19 – Defined Benefit Plans: Employee Contributions

Effective for financial year beginning on or after 1 January 2016

- Amendments to FRS16 and FRS38 – Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS27 – Equity Method in Separate Financial Statements
- Amendments to FRS110 and FRS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to FRS111 – Accounting for Acquisitions of Interests in Joint Operations

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

Effective for financial year beginning on or after 1 January 2017

- FRS115 – Revenue from Contracts with Customers

Effective for financial year beginning on or after 1 January 2018

- FRS109 – Financial Instruments

The above pronouncements are not expected to have a significant impact on the Group's financial statements when adopted with the exception of FRS109 which is under review and assessment.

(c) **Interests in other entities**

(i) **Subsidiaries**

Subsidiaries are entities over which the Group has control. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Acquisition of subsidiaries is accounted for using the acquisition method. Consideration for the acquisition includes fair value of the assets transferred, liabilities incurred, equity interests issued, contingent consideration and existing equity interest in the acquiree. Identifiable assets acquired and liabilities and contingent liabilities assumed are, with limited exceptions, measured at fair values at the acquisition date. Non-controlling interests are measured at fair value or the proportionate share of the acquiree's net identifiable assets at the acquisition date, determined on a case by case basis. Acquisition-related costs are expensed off when incurred.

Subsidiaries are consolidated from the date the Group obtains control until the date such control ceases. Intra-company transactions and balances are eliminated. Adjustments are made to align the accounting policies of the subsidiaries to those of the Group. The portion of profit or loss and net assets of subsidiaries belonging to the non-controlling interests is disclosed separately in the consolidated financial statements. Gain or loss arising from changes of the Bank's interest in subsidiaries is recognised in the income statement if they result in loss of control in the subsidiaries, otherwise, in equity.

In the Bank's separate financial statements, investment in a subsidiary is stated at cost less allowance for impairment, if any, determined on an individual basis.

(ii) **Fellow Associate**

Associates are entities in which the Group has significant influence but not control or joint control.

The Group's investment in a fellow associate is stated at cost less allowance for impairment, if any, determined on an individual basis.

(d) **Financial assets and financial liabilities**

(i) **Classification**

Financial assets and financial liabilities are classified as follows:

At fair value through profit or loss

Financial instruments are classified at fair value through profit or loss if they are held for trading or designated as such upon initial recognition.

Financial instruments are classified as held for trading if they are acquired for short-term profit taking.

Financial instruments are designated as fair value through profit or loss if they meet the following criteria:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities on a different basis;
- the assets and liabilities are managed on a fair value basis in accordance with a documented risk management or investment strategy; or

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

- the financial instrument contains an embedded derivative that would otherwise require bifurcation.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Available-for-sale

Non-derivative financial assets that are not classified into any of the preceding categories and are available for sale are classified in this category.

Non-trading liabilities

Non-derivative financial liabilities that are not held for active trading or designated as fair value through profit or loss are classified as non-trading liabilities.

(ii) Measurement

Initial measurement

Financial instruments are recognised initially at their fair value which is generally the transaction price. Directly attributable transaction costs are included as part of the initial cost for financial instruments that are not measured at fair value through profit or loss.

Subsequent measurement

Financial instruments classified as held for trading and designated as fair value through profit or loss are measured at fair value with fair value changes recognised in the income statement.

Available-for-sale assets are measured at fair value with fair value changes taken to the fair value reserve, and subsequently to the income statement upon disposal or impairment of the assets.

All other financial instruments are measured at amortised cost using the effective interest method less allowance for impairment.

Interest and dividend on all non-derivative financial instruments are recognised as such accordingly.

Fair value determination

Fair values of financial assets and financial liabilities with active markets are determined based on the market bid and ask prices respectively at the balance sheet date. For financial instruments with no active markets, fair values are established using valuation techniques such as making reference to recent transactions or other comparable financial instruments, discounted cash flow method and option pricing models. Valuation inputs include spot and forward prices, volatilities, correlations and credit spreads.

(iii) Recognition and derecognition

Financial instruments are recognised when the Group becomes a party to the contractual provision of the instruments. All regular way purchases and sales of financial assets that require delivery within the period generally established by regulation or market convention are recognised on the settlement date.

Financial instruments are derecognised when the contractual rights to cash flows and risks and rewards associated with the instruments are substantially transferred, cancelled or expired. On derecognition, the difference between the carrying amount of the instruments and the consideration received/paid, less the accumulated gain or loss that has been recognised in equity are taken to the income statement.

(iv) Offsetting

Financial assets and financial liabilities are offset and presented net in the balance sheet if there is a current, unconditional and legally enforceable right and intention to settle them

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

simultaneously or on a net basis.

(v) Impairment

Individual impairment

Financial assets, other than those measured at fair value through profit or loss, are subject to impairment review at each balance sheet date. Impairment loss is recognised when there is objective evidence such as significant financial difficulty of the issuer/obligor, significant or prolonged decline in market prices and adverse economic indicators that the recoverable amount of an asset is below its carrying amount.

Financial assets that are individually significant are assessed individually. Those not individually significant are grouped based on similar credit risks and assessed on a portfolio basis.

For financial assets carried at amortised cost, impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the income statement.

For available-for-sale assets, impairment loss is determined as the difference between the assets' cost and the current fair value, less any impairment loss previously recognised in the income statement. The loss is transferred from the fair value reserve to the income statement. For available-for-sale equity instruments, subsequent recovery of the impairment loss is written back to the fair value reserve.

Financial assets are written off when all avenues of recovery have been exhausted.

Collective impairment

Collective impairment is made for estimated losses inherent in but not currently identifiable to the individual financial assets. The allowance is made based on management's experience and judgement and taking into account country and portfolio risks. A minimum of 1% of credit exposure net of collateral and individual impairment is maintained by the Group in accordance with the transitional provision set out in MAS Notice 612.

(e) **Financial derivatives**

Financial derivatives are recognised initially, and measured subsequently, at fair value. Derivatives with positive and negative fair values are presented under assets and liabilities in the balance sheet respectively. Fair value changes of derivatives are recognised in the income statement unless they are designated as hedging instruments.

Financial derivatives embedded in non-derivative host contracts are bifurcated and accounted for separately if their economic characteristics and risks are not closely related to those of the host contracts and the combined contracts are not carried at fair value through profit or loss.

(f) **Investment properties and fixed assets**

Investment properties and fixed assets are stated at cost less accumulated depreciation and allowance for impairment.

Investment properties are properties held for rental income and/or capital appreciation while owner-occupied properties are those for office use.

Freehold land and leasehold land exceeding 99 years tenure are not depreciated. Other leasehold land is depreciated on a straight-line basis over the lease period. Buildings are depreciated on a straight-line basis over 50 years or the lease period, whichever is shorter. Other fixed assets are depreciated on a straight-line basis over their expected useful lives of five to ten years. The expected useful life, depreciation method and residual value of investment properties and fixed assets are reviewed annually.

Investment properties and fixed assets are reviewed for impairment when events or changes in circumstances indicate that their recoverable amounts, being the higher of fair value less cost to sell and value in use, may be below their carrying amounts.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

Investment properties and fixed assets are derecognised upon disposal and the resulting gain or loss is recognised in the income statement.

(g) **Foreign currencies**

On initial recognition, transactions in foreign currencies are recorded in the respective functional currencies of the Bank and its subsidiary at the exchange rate ruling at the transaction date. Subsequent to initial recognition, monetary assets and monetary liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at balance sheet date are recognised in the income statement.

(h) **Tax**

(i) **Current tax**

Current tax is measured at the amount expected to be recovered from or paid to the tax authorities. The tax rate and tax law applied are those that are enacted or substantively enacted by the balance sheet date.

(ii) **Deferred tax**

Deferred tax is provided on temporary differences between the tax bases and carrying amounts of assets and liabilities. Deferred tax is measured at the tax rate that is expected to apply when the assets are realised or the liabilities are settled, based on the tax rate and tax law that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is not provided for temporary differences arising from initial recognition of goodwill or an asset or liability that does not affect accounting or taxable profit, and taxable temporary differences related to investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Where gains and losses are recognised directly in equity, the related deferred tax is also taken to equity.

(iii) **Offsetting**

Current and deferred tax assets are offset with current and deferred tax liabilities respectively if (a) there is a legally enforceable right and intention to settle them simultaneously or on a net basis, (b) they are of the same tax reporting entity or group and (c) they relate to the same tax authority.

(i) **Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and an outflow of resources to settle the obligation is probable and can be reliably estimated. At each balance sheet date, provisions are reviewed and adjusted to reflect the current best estimate. When an outflow of resources to settle the obligation is no longer probable, the provision is reversed.

(j) **Commitments**

Undrawn credit facilities (both revocable and irrevocable) are recorded under commitments and the amount is adjusted for subsequent drawdowns.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

(k) **Contingent liabilities**

Contracts on financial and performance guarantees, letters of credit and acceptances are recorded under contingent liabilities. These liabilities are recognised initially at their fair value which is generally the fees received. The fees are amortised over the period committed. Subsequent to initial recognition, the liabilities are measured at the higher of their carrying amount and the estimated expenditure required to settle the obligations.

(l) **Revenue recognition**

Interest income is recognised using the effective interest method.

Dividend income is recognised when the right to receive it is established.

Fee and commission income is recognised when services are rendered. For services that are provided over a period of time, fee and commission income is recognised over the service period.

Rental income is recognised on a time proportion basis.

(m) **Employee compensation/benefits**

Base pay, cash bonuses, allowances, commissions and defined contributions under regulations are recognised in the income statement when incurred. Leave entitlements are recognised when they accrue to employees based on contractual terms of employment.

(n) **Dividend payment**

Dividends are accounted for as an appropriation of retained earnings. Interim dividends on ordinary shares are recorded when declared payable while final dividends on ordinary shares are recognised upon approval of equity holders.

(o) **Significant accounting estimates and judgements**

Preparation of the financial statements in conformity with the FRS requires certain accounting estimates and judgements to be made. Areas where such estimates and judgements could have significant effects on the financial statements are as follows:

- Individual impairment of financial assets – assessment of the timing and amount of future cash flows and collateral value and determination of prolonged decline in market prices.
- Collective impairment of financial assets – assessment of country, industry and other portfolio risk, historical loss experience and economic indicators.
- Fair valuation of financial instruments – selection of valuation models and data inputs for financial instruments with no active markets.
- Provision of income taxes – interpretation of tax regulations on certain transactions and computations.

As the estimates and judgements are made based on the information available at the time the financial statements are prepared, the ultimate results could differ from those disclosed in the statements due to subsequent changes in the information.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

| | |
|---|-------------------------------|
| 3. Interest income | The Group and The Bank |
| | 2014 2013 |
| | \$'000 \$'000 |
| Loans to non-bank customers | 3,168 3,307 |
| Placements and balances with banks | 1,887 1,739 |
| Singapore Government treasury bills and securities | 1,509 1,517 |
| | 6,564 6,563 |
| Received/receivable from: | |
| Holding company | 1,885 1,734 |
| Third parties | 4,679 4,829 |
| | 6,564 6,563 |
| 4. Interest expense | The Group and The Bank |
| | 2014 2013 |
| | \$'000 \$'000 |
| Deposits of non-bank customers | 2,020 1,967 |
| Deposits of banks | – 2 |
| | 2,020 1,969 |
| Paid/payable to: | |
| Third parties | 2,020 1,969 |
| | 2,020 1,969 |
| 5. Fee and commission income | The Group and The Bank |
| | 2014 2013 |
| | \$'000 \$'000 |
| Investment-related | 2 3 |
| Loan and trade-related | 566 414 |
| Service charges and others | 452 426 |
| | 1,020 843 |
| 6. Rental income | |
| Rental income represents income from the tenanted areas of the buildings owned by the Bank. Included in the rental income for the financial year was income of \$4,045,000 (2013: \$3,048,000) received from the holding company. | |
| 7. Other operating income | The Group and The Bank |
| | 2014 2013 |
| | \$'000 \$'000 |
| Net gain on disposal of Singapore Government treasury bills and securities | 21 320 |
| Net gain on foreign exchange | 310 226 |
| Safe deposit box rental | 491 476 |
| Other income | 636 555 |
| | 1,458 1,577 |

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

| | | | |
|--|--|-------------------------------|---------------|
| 8. Staff costs | | The Group and The Bank | |
| | | 2014 | 2013 |
| | | \$'000 | \$'000 |
| | | | |
| Salaries, bonus and allowances | | 488 | 510 |
| Employer's contribution to the Central Provident Fund | | 59 | 66 |
| Other staff-related costs | | 38 | 55 |
| | | 585 | 631 |
| Number of employees at 31 December | | 10 | 9 |
| | | | |
| 9. Other operating expenses | | The Group and The Bank | |
| | | 2014 | 2013 |
| | | \$'000 | \$'000 |
| | | | |
| Included in other operating expenses are: | | | |
| Depreciation of assets | | 519 | 491 |
| Maintenance of premises and other assets | | 397 | 380 |
| Other expenses of premises | | 1,117 | 1,106 |
| Audit fees paid/payable to auditors of the Bank | | 94 | 86 |
| Management fees payable to holding company | | 7,097 | 7,097 |
| Fees payable to directors of the Bank | | 45 | 55 |
| | | 1,782 | 1,748 |
| Of which: | | | |
| Expenses on investment properties that generate rental income | | 1,782 | 1,748 |
| | | | |
| 10. Write-back of impairment charge on loans and other assets | | The Group and The Bank | |
| | | 2014 | 2013 |
| | | \$'000 | \$'000 |
| | | | |
| Write-back of impairment on: | | | |
| Loans | | 8 | 72 |
| Investments | | 62 | 23 |
| | | 70 | 95 |
| Included in the impairment charges are the following: | | | |
| Bad debts written off | | 1 | 15 |
| | | | |
| 11. Tax | | The Group and The Bank | |
| (a) Tax expense | | 2014 | 2013 |
| | | \$'000 | \$'000 |
| | | | |
| Tax charge to the income statements comprises the following: | | | |
| On profit of the financial year | | | |
| Current tax | | 377 | 221 |
| Deferred tax | | (2) | (1) |
| | | 375 | 220 |

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

(b) **Tax reconciliation**

Tax charge on profit for the financial year differs from the theoretical amount computed using Singapore corporate tax rate due to the following factors:

| | The Group and The Bank | |
|---|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Profit before tax | <u>2,272</u> | <u>1,663</u> |
| Prima facie tax calculated at tax rate of 17% (2013: 17%) | 386 | 283 |
| Effect of: | | |
| Singapore statutory stepped income exemption | (26) | (26) |
| Income taxed at concessionary rates | (14) | (11) |
| Income not subject to tax | (41) | (34) |
| Expenses not deductible for tax | 70 | 8 |
| Tax expense on profit of the financial year | <u>375</u> | <u>220</u> |

(c) **Deferred tax**

Deferred tax comprises the following:

| | The Group and The Bank | |
|--|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Deferred tax liabilities on: | | |
| Unrealised loss on available-for-sale assets | (60) | (42) |
| Accelerated tax depreciation | 240 | 242 |
| | <u>180</u> | <u>200</u> |
| Amount offset against deferred tax assets | (180) | (200) |
| | <u>–</u> | <u>–</u> |
| Deferred tax assets on: | | |
| Allowance for impairment | 1,434 | 1,434 |
| Amount offset against deferred tax liabilities | (180) | (200) |
| | <u>1,254</u> | <u>1,234</u> |
| Net deferred tax assets | <u>1,254</u> | <u>1,234</u> |

Movements in the deferred tax during the financial year are as follows:

| | The Group and The Bank | |
|----------------------------|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Balance at 1 January | 1,234 | 928 |
| Credit to income statement | 2 | 1 |
| Credit to equity | 18 | 305 |
| Balance at 31 December | <u>1,254</u> | <u>1,234</u> |

12. Share capital

| | The Group and The Bank | |
|--|-------------------------------|----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Issued and fully paid 100,010,566 (2013: 100,010,566) ordinary shares | <u>100,011</u> | <u>100,011</u> |

The ordinary shares have no par value and were fully paid. The holders of ordinary shares have unrestricted rights to dividends, return of capital and voting.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

13. Retained earnings

| | The Group | | The Bank | |
|---|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Balance at 1 January | 14,770 | 15,327 | 14,766 | 15,323 |
| Profit for the financial year attributable to equity holders of the Bank | 1,897 | 1,443 | 1,897 | 1,443 |
| Dividends | | | | |
| Final dividend of 2 cents one-tier tax-exempt (2013: 2 cents one-tier tax-exempt) per share paid in respect of prior financial year | (2,000) | (2,000) | (2,000) | (2,000) |
| Balance at 31 December | 14,667 | 14,770 | 14,663 | 14,766 |

(b) The retained earnings are distributable reserves.

(c) In respect of the financial year ended 31 December 2014, the directors have proposed a final one-tier tax-exempt dividend of 2 cents per ordinary share amounting to \$2,000,211. The proposed dividend will be accounted for in Year 2015 financial statements upon approval of the equity holders of the Bank.

14. Other reserves

| | The Group and The Bank | | | |
|--|---------------------------------|--------------------------------|------------------------------|-----------------|
| | Fair value reserve \$'000 | Statutory reserve \$'000 | General reserve \$'000 | Total \$'000 |
| 2014 | | | | |
| Balance at 1 January | (207) | 54,900 | 25,600 | 80,293 |
| Other comprehensive income for the financial year attributable to equity holders of the Bank | (85) | – | – | (85) |
| Balance at 31 December | (292) | 54,900 | 25,600 | 80,208 |
| 2013 | | | | |
| Balance at 1 January | 1,285 | 54,900 | 25,600 | 81,785 |
| Other comprehensive income for the financial year attributable to equity holders of the Bank | (1,492) | – | – | (1,492) |
| Balance at 31 December | (207) | 54,900 | 25,600 | 80,293 |

(b) Fair value reserve contains cumulative fair value changes of outstanding available-for-sale assets.

(c) Statutory reserve is maintained in accordance with the provisions of applicable laws and regulations. This reserve is non-distributable unless otherwise approved by the relevant authorities.

Under the Banking (Reserve Fund) (Transitional Provision) Regulations 2007, the Bank may distribute or utilise its statutory reserve provided that the amount distributed or utilised for each financial year does not exceed 20% of the reserve as at 30 March 2007.

(d) General reserve has not been earmarked for any specific purpose.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

15. Classification of financial assets and financial liabilities

(a)

| | The Group | | | Total \$'000 |
|--|----------------------------|----------------------------------|--|------------------|
| | Held for trading \$'000 | Available- for-sale \$'000 | Loans and receivables/ amortised cost \$'000 | |
| 2014 | | | | |
| Cash, balances and placements with central bank | – | – | 25,890 | 25,890 |
| Singapore Government treasury bills and securities ¹ | – | 128,881 | – | 128,881 |
| Placements and balances with banks | – | – | 8,122 | 8,122 |
| Loans to non-bank customers | – | – | 87,789 | 87,789 |
| Placements with and amount owing by related companies | – | – | 649,450 | 649,450 |
| Investment securities ¹ | – | 102,076 | – | 102,076 |
| Other assets | – | – | 1,833 | 1,833 |
| Total financial assets | – | 230,957 | 773,084 | 1,004,041 |
| Non-financial assets | | | | 8,709 |
| Total assets | | | | 1,012,750 |
| Deposits and balances of non-bank customers and related companies ² | – | – | 814,547 | 814,547 |
| Bills and drafts payable | – | – | 586 | 586 |
| Derivative financial liabilities | 17 | – | – | 17 |
| Other liabilities | – | – | 2,184 | 2,184 |
| Total financial liabilities | 17 | – | 817,317 | 817,334 |
| Non-financial liabilities | | | | 530 |
| Total liabilities | | | | 817,864 |

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

| | The Group | | | Total \$'000 |
|--|----------------------------|----------------------------------|--|------------------|
| | Held for trading \$'000 | Available- for-sale \$'000 | Loans and receivables/ amortised cost \$'000 | |
| 2013 | | | | |
| Cash, balances and placements with central bank | – | – | 26,521 | 26,521 |
| Singapore Government treasury bills and securities ¹ | – | 128,984 | – | 128,984 |
| Placements and balances with banks | – | – | 7,992 | 7,992 |
| Loans to non-bank customers | – | – | 102,363 | 102,363 |
| Placements with and amount owing by related companies | – | – | 643,174 | 643,174 |
| Derivative financial assets | 1 | – | – | 1 |
| Investment securities ¹ | – | 121,093 | – | 121,093 |
| Other assets | – | – | 1,463 | 1,463 |
| Total financial assets | 1 | 250,077 | 781,513 | 1,031,591 |
| Non-financial assets | | | | 8,985 |
| Total assets | | | | 1,040,576 |
| Deposits and balances of non-bank customers and related companies ² | – | – | 840,319 | 840,319 |
| Bills and drafts payable | – | – | 2,802 | 2,802 |
| Derivative financial liabilities | 5 | – | – | 5 |
| Other liabilities | – | – | 1,960 | 1,960 |
| Total financial liabilities | 5 | – | 845,081 | 845,086 |
| Non-financial liabilities | | | | 416 |
| Total liabilities | | | | 845,502 |

¹ Includes Singapore Government treasury bills and securities of \$124.9 million (2013: \$123.8 million) and debt securities of \$102.1 million (2013: \$121.1 million) which were purchased from United Overseas Bank Limited at market prices.

² Deposits and balances of non-bank customers and related companies under the Bank consist of current account balance of \$12,000 (2013: \$12,000) maintained by a subsidiary.

(b) Fair values of the financial instruments

The valuation process adopted by the Group is governed by the valuation, market data, and reserves policies. These policies set the methodologies and controls for the valuation of financial assets and liabilities where mark-to-market or mark-to-model is required. The valuation process incorporating the market rates, the methodologies and models, including the analysis of the valuation are regularly reviewed by Group Market Risk Control (MRC) within Group Risk Management. Further independent assurances are provided by internal auditors.

The rates and parameters utilised for valuation purposes are independently verified by the MRC. The market rates and parameters verification involves checks against available market providers or sources. These are applicable to products or instruments with liquid market or those traded within an exchange. Where market prices are not liquid, MRC will utilise additional techniques such as historical estimation or available proxy market rates and parameters to provide an additional layer of reasonableness checks. Where products or instruments are complex, the Group utilises approved valuation model. All valuation models are independently validated by Group Risk Analytics Division (RAD) within Group Risk Management. The model validation provides the assurance of conceptual soundness of models used including the model inputs and outputs under normal market conditions and stressed market conditions.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

For financial instruments carried at cost or amortised cost, their fair values are assessed as follows:

- For cash, balances, placements and deposits of central banks, banks and subsidiaries, deposits of non-bank customers with short-term or no stated maturity, as well as interest and other short-term receivables and payables, fair values are expected to approximate the carrying amounts.
 - For loans and deposits of non-bank customers, and investment debt securities, fair values are estimated based on independent broker quotes or using discounted cash flow method.
- (c) The Group classified financial instruments carried at fair value by level of the following fair value measurement hierarchy:
- Level 1 - Unadjusted quoted prices in active markets for identical financial instruments
 - Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
 - Level 3 - Inputs that are not based on observable market data

| | The Group | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2014 | | | 2013 | | |
| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
| Singapore Government treasury bills and securities | 128,881 | – | – | 128,984 | – | – |
| Investment securities | 102,076 | – | – | 121,093 | – | – |
| Derivative financial assets | – | – | – | – | 1 | – |
| | 230,957 | – | – | 250,077 | 1 | – |
| Total financial assets carried at fair value | | | 230,957 | | | 250,078 |
| Derivative financial liabilities | – | 17 | – | – | 5 | – |
| | – | 17 | – | – | 5 | – |
| Total financial liabilities carried at fair value | | | 17 | | | 5 |

16. Deposits and balances of non-bank customers

| | The Group and The Bank | |
|--|------------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Fixed deposits | 221,182 | 256,991 |
| Current, savings and other deposits ¹ | 570,200 | 561,366 |
| | 791,382 | 818,357 |

¹ Current, savings and other deposits consist of balance of \$92,000 (2013: \$59,000) maintained by a related company.

17. Other liabilities

| | The Group | | The Bank | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2014 \$'000 | 2013 \$'000 | 2014 \$'000 | 2013 \$'000 |
| Accrued interest payable | 843 | 708 | 843 | 708 |
| Accrued operating expenses | 231 | 256 | 231 | 256 |
| Unclaimed balances | 950 | 922 | 950 | 922 |
| Others | 194 | 104 | 191 | 101 |
| | 2,218 | 1,990 | 2,215 | 1,987 |

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

18. Singapore Government treasury bills and securities

| | The Group and The Bank | |
|--------------------|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Available-for-sale | 128,881 | 128,984 |

19. Placements and balances with banks

| | The Group and The Bank | |
|---------------------------------|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Analysed by remaining maturity: | | |
| Within 1 year | 8,122 | 7,992 |

20. Loans to non-bank customers

(a)

| | The Group and The Bank | |
|--|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Loans to non-bank customers (gross) ¹ | 100,126 | 114,699 |
| Individual impairment | (278) | (277) |
| Collective impairment | (12,059) | (12,059) |
| Loans to non-bank customers (net) | 87,789 | 102,363 |
| Comprising: | | |
| Trade bills | 179 | – |
| Advances to customers | 87,610 | 102,363 |
| | 87,789 | 102,363 |

¹ Loans to non-bank customers are predominantly based in Singapore.

(b) Gross loans to non-bank customers analysed by industry

| | The Group and The Bank | |
|---------------------------------------|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Transport, storage and communication | 2,095 | 1,742 |
| Building and construction | 529 | 629 |
| Manufacturing | 3,814 | 6,805 |
| Financial institutions | 13,524 | 14,729 |
| General commerce | 22,337 | 37,348 |
| Professionals and private individuals | 35,215 | 38,020 |
| Housing loans | 13,205 | 9,348 |
| Others | 9,407 | 6,078 |
| | 100,126 | 114,699 |

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

(c) Movements of allowance for impairment on loans

| | The Group and The Bank | | | | | |
|--|---|---|-------------------------|---|---|-------------------------|
| | 2014 | | | 2013 | | |
| | Individual impairment \$'000 | Collective impairment \$'000 | Total \$'000 | Individual impairment \$'000 | Collective impairment \$'000 | Total \$'000 |
| Balance at 1 January | 277 | 12,059 | 12,336 | 356 | 12,059 | 12,415 |
| Net charge/(write-back) to income statement | 1 | – | 1 | (79) | – | (79) |
| Balance at 31 December | 278 | 12,059 | 12,337 | 277 | 12,059 | 12,336 |

21. Investment securities

| | The Group and The Bank | |
|--------------------------|-------------------------------|------------------------|
| | 2014 \$'000 | 2013 \$'000 |
| Quoted debt securities | 102,076 | 119,070 |
| Unquoted debt securities | – | 2,023 |
| Investment securities | 102,076 | 121,093 |

22. Other assets

| | The Group and The Bank | |
|---------------------|-------------------------------|------------------------|
| | 2014 \$'000 | 2013 \$'000 |
| Interest receivable | 1,080 | 1,292 |
| Others | 783 | 213 |
| | 1,863 | 1,505 |

23. Investment in a fellow associate

(a) Unquoted equity shares

| | The Group and The Bank | |
|--------------------------|-------------------------------|------------------------|
| | 2014 \$'000 | 2013 \$'000 |
| At cost | 1,250 | 1,250 |
| Allowance for impairment | (151) | (213) |
| | 1,099 | 1,037 |

(b) Movements of allowance for impairment

| | The Group and The Bank | |
|--------------------------------|-------------------------------|------------------------|
| | 2014 \$'000 | 2013 \$'000 |
| Balance at 1 January | 213 | 236 |
| Write-back to income statement | (62) | (23) |
| Balance at 31 December | 151 | 213 |

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

24. Investment in a subsidiary

| | The Bank | |
|---------------------------------|-----------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Unquoted equity shares, at cost | 5 | 5 |

(b) The details of the wholly-owned subsidiary of the Bank are as follows:

| Name of subsidiary | Principal activity | Country of incorporation and place of business | Cost of investment by the Bank | |
|---|----------------------------|---|---------------------------------------|---------------|
| | | | 2014 | 2013 |
| | | | \$'000 | \$'000 |
| Far Eastern Bank Nominees Private Limited | Nominee services (Dormant) | Singapore | 5 | 5 |

25. Investment properties

| | The Group and The Bank | |
|---|-------------------------------|-----------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Balance at 1 January | 6,266 | 6,715 |
| Depreciation charge | (444) | (444) |
| Reclassification | 4 | (5) |
| Balance at 31 December | 5,826 | 6,266 |
| Represented by: | | |
| Cost | 17,896 | 17,880 |
| Accumulated depreciation | (12,070) | (11,614) |
| Net carrying amount | 5,826 | 6,266 |
| Freehold property | 2,318 | 2,347 |
| Leasehold property | 3,508 | 3,919 |
| | 5,826 | 6,266 |
| Market value of properties at 31 December | 170,345 | 170,169 |

The valuation was performed by internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using market comparison approach or using a combination of comparable sales and investment approach. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market data.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

26. Fixed assets

| | The Group and The Bank | | | | | |
|---|----------------------------------|---------------|--------------|---------------------------|------------|------------|
| | 2014 | | | 2013 | | |
| | Owner-occupied properties | Others | Total | Owner-occupied properties | Others | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January | 246 | 160 | 406 | 267 | 110 | 377 |
| Additions | – | 173 | 173 | – | 71 | 71 |
| Depreciation charge | (26) | (49) | (75) | (26) | (21) | (47) |
| Reclassification | (4) | – | (4) | 5 | – | 5 |
| Balance at 31 December | <u>216</u> | <u>284</u> | <u>500</u> | <u>246</u> | <u>160</u> | <u>406</u> |
| Represented by: | | | | | | |
| Cost | 901 | 2,733 | 3,634 | 917 | 2,690 | 3,607 |
| Accumulated depreciation | (685) | (2,449) | (3,134) | (671) | (2,530) | (3,201) |
| Net carrying amount | <u>216</u> | <u>284</u> | <u>500</u> | <u>246</u> | <u>160</u> | <u>406</u> |
| Leasehold property | <u>216</u> | | | <u>246</u> | | |
| | | | | <u>246</u> | | |
| Market value of properties at 31 December | <u>10,243</u> | | | <u>10,419</u> | | |

The valuation was performed by internal valuers with professional qualifications and experience, taking into account market prices and rentals of comparable properties using market comparison approach or using a combination of comparable sales and investment approach. These properties are classified under Level 2 of the fair value hierarchy as the valuation is derived primarily from market data.

Others comprise mainly computer equipment, application software and furniture and fittings.

27. Contingent liabilities

In the normal course of business, the Bank and the Group conduct businesses involving acceptances, guarantees, performance bonds and indemnities. The bulk of these liabilities are backed by the corresponding obligations of the customers. No assets of the Bank and the Group were pledged as security for these contingent liabilities at the balance sheet date. Exposures for these contingent liabilities are all in Singapore.

| | The Group and The Bank | |
|-----------------------------------|-------------------------------|---------------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Direct credit substitutes | 12,240 | 10,238 |
| Transaction-related contingencies | 4,944 | 5,802 |
| Trade-related contingencies | 179 | 596 |
| | <u>17,363</u> | <u>16,636</u> |

28. Financial derivatives

Financial derivatives, such as forwards, swaps, futures and options, are instruments whose values change in response to the change in prices of the underlying instruments.

In the normal course of business, the Bank and the Group transact in customised derivatives to meet specific needs of their customers. The Bank and the Group also transact in these derivatives for proprietary trading purposes, as well as to manage their assets, liabilities and structural positions. Risks associated with the use of derivatives and policies for managing these risks are set out in Note 31.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

The table below shows the Bank's and the Group's financial derivatives and their fair values at the balance sheet date. These amounts do not necessarily represent future cash flows and amounts at risk of the derivatives.

| | The Group and The Bank | | | | | |
|-----------------------------------|---|----------------------------------|----------------------------------|---|----------------------------------|----------------------------------|
| | 2014 | | | 2013 | | |
| | Contract/ notional amount \$'000 | Positive fair value \$'000 | Negative fair value \$'000 | Contract/ notional amount \$'000 | Positive fair value \$'000 | Negative fair value \$'000 |
| Foreign exchange contracts | | | | | | |
| Forwards | 647 | – | 17 | 1,030 | 1 | 5 |

29. Commitments

| | The Group and The Bank | |
|--|------------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Undrawn credit facilities ¹ | 80,703 | 83,053 |

¹ Exposure of undrawn credit facilities are predominantly in Singapore.

30. Cash and cash equivalents

Cash equivalents are highly liquid assets that are subject to an insignificant risk of changes in value and are readily convertible into known amount of cash. Cash and cash equivalents in the consolidated cash flow statement comprise the following:

| | The Group and The Bank | |
|--|------------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Cash, balances and placements with central bank | | |
| Cash on hand | 695 | 955 |
| Balances with central bank | | |
| Restricted balances | 23,647 | 24,181 |
| Non-restricted balances | 1,548 | 1,385 |
| Singapore Government treasury bills and securities | 128,881 | 128,984 |
| | 154,771 | 155,505 |

31. Financial risk management

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, foreign exchange risk, interest rate risk, equity risk and liquidity risk.

The Group's financial risks are centrally managed by the various specialist committees within the delegated authority by the Board of Directors. These various specialist committees formulate, review and approve policies and limits to monitor and manage risk exposures under their respective supervision. The major policy decisions and proposals approved by these committees are subject to further review by the UOB Board Risk Management Committee.

The UOB Group Risk Management Sector assumes the independent oversight of risks undertaken by the Group, and takes the lead in the formulation and approval of risk policies, controls and processes. This is further enhanced by the periodic risk assessment audit carried out by the UOB Group Audit.

The main financial risks that the Group is exposed to and how they are being managed are set out below:

(a) Credit risk

Credit risk is defined as the risk of loss arising from any failure by a borrower or a counterparty to fulfil its financial obligations as and when they fall due.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

The Group Credit Committee is delegated the authority by the Board of Directors to oversee all credit matters. It maintains oversight on the effectiveness of the Group's credit and country risk management structure including framework, people, processes, information, infrastructure, methodologies and systems.

Credit risk exposures are managed through a robust credit underwriting, structuring and monitoring process. The process includes monthly review of all non-performing and special mention loans, ensuring credit quality and the timely recognition of asset impairment. In addition, credit review and audit are performed regularly to proactively manage any delinquency, minimise undesirable concentrations, maximise recoveries, and ensure that credit policies and procedures are complied with. Past dues and credit limit excesses are tracked and analysed by business and product lines.

(i) Credit exposure

The Group's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, before taking into account any collateral held, other credit enhancements and netting arrangements, is shown in the table below:

| | The Group | |
|--|-----------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Balances and placements with central bank | 25,195 | 25,566 |
| Singapore Government treasury bills and securities | 128,881 | 128,984 |
| Placements and balances with banks | 8,122 | 7,992 |
| Loans to non-bank customers | 87,789 | 102,363 |
| Derivative financial assets | – | 1 |
| Investment securities | 102,076 | 121,093 |
| Others | 1,084 | 1,289 |
| | 353,147 | 387,288 |
| Contingent liabilities | 17,363 | 16,636 |
| Commitments | 80,703 | 83,053 |
| | 451,213 | 486,977 |

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically. The frequency of valuation depends on the type, liquidity and volatility of the collateral value. The main types of collateral taken by the Group are cash, marketable securities, real estate, equipment, inventory and receivables. Policies and processes are in place to monitor collateral concentration.

In extending credit facilities to small and medium enterprises, personal guarantees are often taken as a form of moral support to ensure moral commitment from the principal shareholders and directors.

Corporate guarantees are often obtained when the borrower's credit worthiness is not sufficient to justify an extension of credit.

For internal risk management, agreements such as International Swaps and Derivatives Association Master Agreements and Credit Support Annex have been established with active counterparties to manage counterparty credit risk arising from foreign exchange and derivative activities. The agreements allow the Group to settle all outstanding transactions in the event of counterparty default, resulting in a single net claim against or in favour of the counterparty.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

- (ii) Credit quality of gross loans and debt securities
Gross loans are graded in accordance with MAS Notice 612 as follows:

| | The Group | |
|-----------------|-----------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Pass | 96,865 | 114,229 |
| Special mention | – | 4 |
| Substandard | 3,023 | 146 |
| Doubtful | – | 320 |
| Loss | 238 | – |
| | 100,126 | 114,699 |

Credit quality of Government treasury bills and securities and debt securities

The table below presents an analysis of Government treasury bills and securities and debt securities that are neither past due nor impaired for the Group by rating agency designation as at 31 December:

| | The Group | | | |
|------------------------------------|---|------------------------------|---|------------------------------|
| | 2014 | | | 2013 |
| | Singapore Government treasury bills and securities \$'000 | Debt securities \$'000 | Singapore Government treasury bills and securities \$'000 | Debt securities \$'000 |
| External rating: | | | | |
| Investment grade (AAA to BBB-) | 128,881 | 30,105 | 128,984 | 32,635 |
| Non-investment grade (BB+ to C) | – | – | – | – |
| Unrated | – | 71,971 | – | 88,458 |
| | 128,881 | 102,076 | 128,984 | 121,093 |

- (iii) Ageing analysis of past due but not impaired and non-performing assets

| | The Group | | | |
|---------------------|---|--|---|--|
| | 2014 | | | 2013 |
| | Past due but not impaired loans \$'000 | Non- performing assets \$'000 | Past due but not impaired loans \$'000 | Non- performing assets \$'000 |
| Current | – | – | – | 524 |
| Within 90 days | 2,300 | 266 | 1,592 | – |
| Over 90 to 180 days | – | – | – | – |
| Over 180 days | – | 3,034 | – | – |
| | 2,300 | 3,300 | 1,592 | 524 |

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

- (iv) Past due but not impaired and non-performing assets analysed by industry

| | The Group | | | | | |
|--|--|--|------------------------------------|--|--|------------------------------------|
| | 2014 | | | 2013 | | |
| | Past due but not impaired loans \$'000 | Non- performing assets \$'000 | Individual impairment \$'000 | Past due but not impaired loans \$'000 | Non- performing assets \$'000 | Individual impairment \$'000 |
| General commerce | 1,861 | 2,634 | 278 | 152 | 524 | 277 |
| Professionals and private individuals | – | 666 | – | 1,440 | – | – |
| Others | 439 | – | – | – | – | – |
| | 2,300 | 3,300 | 278 | 1,592 | 524 | 277 |

- (v) Security coverage of non-performing assets

| | The Group | |
|--|------------------|----------------|
| | 2014 \$'000 | 2013 \$'000 |
| Non-performing assets secured by: | | |
| Properties | 2,983 | – |
| Marketable securities, fixed deposits and others | 39 | 146 |
| Unsecured non-performing assets | 278 | 378 |
| | 3,300 | 524 |

- (b) **Foreign exchange risk**

Foreign exchange risk is the risk to earnings and economic value of foreign currency assets, liabilities and financial derivatives caused by fluctuations in foreign exchange rates.

The Group does not engage in a significant amount of foreign exchange position-taking or proprietary business. Its foreign exchange exposures arise mainly from its customer facilitation business. Foreign exchange risk is managed at Group level, hedged through foreign exchange spot contracts and foreign exchange derivatives.

Foreign exchange risk is managed through policies and risk limits approved by the Asset and Liability Committee (ALCO).

The following table sets out the Group's assets, liabilities and financial derivatives by currency as at the balance sheet date. The off-balance sheet gap represents the net contract or notional amount of derivatives which is used principally to reduce the Group's exposure to foreign exchange risk.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

| | The Group | | |
|--|--------------------------------|------------------|------------------|
| | Singapore dollars \$'000 | Others \$'000 | Total \$'000 |
| 2014 | | | |
| Cash, balances and placements with central bank | 25,890 | – | 25,890 |
| Singapore Government treasury bills and securities | 128,881 | – | 128,881 |
| Placements and balances with banks and related companies | 630,500 | 27,072 | 657,572 |
| Loans to non-bank customers | 80,121 | 7,668 | 87,789 |
| Investment securities | 102,076 | – | 102,076 |
| Others | 10,528 | 14 | 10,542 |
| Total assets | 977,996 | 34,754 | 1,012,750 |
| Deposits and balances of non-bank customers | 768,264 | 23,118 | 791,382 |
| Deposits and balances of related companies, and bills and drafts payable | 11,552 | 12,199 | 23,751 |
| Derivative financial liabilities | 17 | – | 17 |
| Others | 2,581 | 133 | 2,714 |
| Total liabilities | 782,414 | 35,450 | 817,864 |
| Net on-balance sheet open position | 195,582 | (696) | |
| Net off-balance sheet open position | 14 | (14) | |
| Net open position | 195,596 | (710) | |

| | The Group | | |
|--|--------------------------------|------------------|------------------|
| | Singapore dollars \$'000 | Others \$'000 | Total \$'000 |
| 2013 | | | |
| Cash, balances and placements with central bank | 26,516 | 5 | 26,521 |
| Singapore Government treasury bills and securities | 128,984 | – | 128,984 |
| Placements and balances with banks and related companies | 631,000 | 20,166 | 651,166 |
| Loans to non-bank customers | 92,078 | 10,285 | 102,363 |
| Derivative financial assets | 1 | – | 1 |
| Investment securities | 121,093 | – | 121,093 |
| Others | 10,418 | 30 | 10,448 |
| Total assets | 1,010,090 | 30,486 | 1,040,576 |
| Deposits and balances of non-bank customers | 800,880 | 17,477 | 818,357 |
| Deposits and balances of related companies, and bills and drafts payable | 12,241 | 12,523 | 24,764 |
| Derivative financial liabilities | 5 | – | 5 |
| Others | 2,243 | 133 | 2,376 |
| Total liabilities | 815,369 | 30,133 | 845,502 |
| Net on-balance sheet open position | 194,721 | 353 | |
| Net off-balance sheet open position | (624) | 624 | |
| Net open position | 194,097 | 977 | |

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

As the foreign currency exposure is insignificant, the effects arising from the foreign exchange rate change against SGD will not have material effect on its net financial liability/asset position.

(c) **Banking book interest rate risk**

Interest rate risk is the impact to earnings and economic value of the Group due to fluctuations in interest rates. Interest rate exposure arises from differences in the maturity and repricing dates of assets, liabilities and off-balance sheet items. These mismatches are actively monitored and managed as part of the overall interest rate risk management process which is conducted in accordance with the Group's policies as approved by the ALCO.

The economic value of equity (EVE) sensitivity at 100 and 200 basis points parallel interest rate shocks were negative \$0.8 million and negative \$1.6 million (2013: negative \$2.1 million and negative \$4.1 million) respectively, computed based on the worst case of upward and downward parallel shifts of each yield curve. EVE is the present value of assets less present value of liabilities of the Group. The repricing profile of loans is generally based on the earliest possible repricing dates, taking into account the notice period to be served to the customers. Loan prepayment is estimated based on past statistics and trends where possible and material. Behavioural assumptions based on historical trends are applied where appropriate, for deposits that do not have maturity dates.

(d) **Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its financial obligations as and when they fall due, such as upon maturity of deposits and draw-down of loans.

The Group manages liquidity risk in accordance with the liquidity framework approved by the ALCO. This framework comprises policies, controls and limits. These controls and policies include setting of cash flow mismatch limits, monitoring of liquidity early warning indicators, stress test analysis of cash flows in liquidity crisis scenarios and establishment of a comprehensive contingency funding plan. The Group is also required by the respective local regulators to maintain a certain percentage of its liability base in the form of cash and other liquid assets as a buffer against unforeseen liquidity requirements. The main objectives are honouring all cash outflow commitments on an on-going basis, satisfying statutory liquidity and reserve requirements, and avoiding raising funds at market premiums or through forced sale of assets.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

- (i) The following table shows the cashflow analysis of the Group's assets and liabilities by remaining contractual maturities on an undiscounted basis. Actual maturity dates may differ from contractual maturity dates due to behavioural patterns such as prepayment of loans. In particular, the Group has a significant amount of "core deposits" of non-bank customers which are contractually at call (included in the "Up to 7 days" time band) but historically a stable source of long-term funding for the Group.

| | The Group | | | | | | | Total \$'000 |
|--|---------------------------|--|------------------------------------|-------------------------------------|-----------------------------------|---------------------------|--------------------------------------|------------------|
| | Up to 7 days \$'000 | Over 7 days to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 | Over 1 to 3 years \$'000 | Over 3 years \$'000 | No specific maturity \$'000 | |
| 2014 | | | | | | | | |
| Cash, balances and placements with central bank | 2,236 | 220 | - | - | - | - | 23,434 | 25,890 |
| Singapore Government treasury bills and securities | - | - | 125,000 | 45 | 4,023 | - | (119) | 128,949 |
| Placements and balances with banks and related companies | 107,573 | 100,091 | 450,501 | - | - | - | - | 658,165 |
| Loans to non-bank customers | 581 | 3,958 | 9,295 | 7,258 | 14,698 | 63,104 | 2,973 | 101,867 |
| Investment securities | - | - | 387 | 41,445 | 62,637 | - | 1,076 | 105,545 |
| Others | - | - | - | - | - | 124 | 9,316 | 9,440 |
| Total assets | 110,390 | 104,269 | 585,183 | 48,748 | 81,358 | 63,228 | 36,680 | 1,029,856 |
| Deposits and balances of non-bank customers | 570,827 | 79,255 | 19,803 | 114,280 | 8,086 | 707 | - | 792,958 |
| Deposits and balances of related companies, and bills and drafts payable | 23,751 | - | - | - | - | - | - | 23,751 |
| Derivative financial liabilities | - | - | - | - | - | - | 17 | 17 |
| Others | 956 | - | 35 | - | - | - | 882 | 1,873 |
| Total liabilities | 595,534 | 79,255 | 19,838 | 114,280 | 8,086 | 707 | 899 | 818,599 |
| Total equity | - | - | - | - | - | - | 194,886 | 194,886 |
| Net on-balance sheet position | (485,144) | 25,014 | 565,345 | (65,532) | 73,272 | 62,521 | (159,105) | |
| Net off-balance sheet position | (905) | - | - | - | - | - | - | |
| Net maturity mismatch | (486,049) | 25,014 | 565,345 | (65,532) | 73,272 | 62,521 | (159,105) | |

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

| | The Group | | | | | | | Total \$'000 |
|--|---------------------------|--|------------------------------------|-------------------------------------|-----------------------------------|---------------------------|--------------------------------------|------------------|
| | Up to 7 days \$'000 | Over 7 days to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 | Over 1 to 3 years \$'000 | Over 3 years \$'000 | No specific maturity \$'000 | |
| 2013 | | | | | | | | |
| Cash, balances and placements with central bank | 2,335 | (237) | – | – | – | – | 24,423 | 26,521 |
| Singapore Government treasury bills and securities | – | – | 124,000 | 3,023 | 2,034 | – | (17) | 129,040 |
| Placements and balances with banks and related companies | 101,166 | 100,154 | 350,281 | 100,085 | – | – | – | 651,686 |
| Loans to non-bank customers | 1,626 | 5,164 | 12,842 | 9,630 | 16,043 | 72,071 | 179 | 117,555 |
| Derivative financial assets | – | – | – | – | – | – | 1 | 1 |
| Investment securities | – | – | 385 | 19,773 | 89,289 | 15,180 | 3,093 | 127,720 |
| Others | – | – | – | – | – | 123 | 9,040 | 9,163 |
| Total assets | 105,127 | 105,081 | 487,508 | 132,511 | 107,366 | 87,374 | 36,719 | 1,061,686 |
| Deposits and balances of non-bank customers | 562,970 | 39,331 | 122,992 | 86,702 | 6,922 | 666 | – | 819,583 |
| Deposits and balances of related companies, and bills and drafts payable | 24,764 | – | – | – | – | – | – | 24,764 |
| Derivative financial liabilities | – | – | – | – | – | – | 5 | 5 |
| Others | 938 | – | 30 | – | – | – | 699 | 1,667 |
| Total liabilities | 588,672 | 39,331 | 123,022 | 86,702 | 6,922 | 666 | 704 | 846,019 |
| Total equity | – | – | – | – | – | – | 195,074 | 195,074 |
| Net on-balance sheet position | (483,545) | 65,750 | 364,486 | 45,809 | 100,444 | 86,708 | (159,059) | |
| Net off-balance sheet position | (619) | (2) | – | – | – | – | – | |
| Net maturity mismatch | (484,164) | 65,748 | 364,486 | 45,809 | 100,444 | 86,708 | (159,059) | |

The Group is subject to liquidity requirements to support calls under outstanding contingent liabilities and undrawn credit facility commitments as disclosed in Notes 27 and 29. These have been incorporated in the net off-balance sheet position for the year ended 31 December 2014 and 2013. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group expects many of these contingent liabilities and commitments (such as direct credit substitutes and undrawn credit facilities) to expire without being called or drawn upon, and many of the contingent liabilities (such as letters of credit) are reimbursable by customers. The behavioural adjustments based on historical trends are disclosed in Note 31d(ii).

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

- (ii) The following table shows the cashflow analysis of the Group's assets and liabilities for a one-year period with behavioural adjustments on significant balance sheet items on an undiscounted basis. The maturity profile for loans and deposits that do not have maturity dates, and fixed deposits that are frequently rolled over, is estimated based on past statistics and historical trends.

| | The Group | | | |
|--|---------------------------|--|------------------------------------|-------------------------------------|
| | Up to 7 days \$'000 | Over 7 days to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 |
| 2014 | | | | |
| Cash, balances and placements with central bank | 2,236 | 220 | - | - |
| Singapore Government treasury bills and securities | - | - | 125,000 | 45 |
| Placements and balances with banks and related companies | 107,573 | 100,091 | 450,501 | - |
| Loans to non-bank customers | 1,739 | 5,633 | 10,181 | 10,535 |
| Derivative financial assets | - | - | - | - |
| Investment securities | - | - | 387 | 41,445 |
| Others | - | 124 | - | - |
| Total assets | 111,548 | 106,068 | 586,069 | 52,025 |
| Deposits and balances of non-bank customers ¹ | 30,711 | 36,830 | - | - |
| Deposits and balances of related companies, and bills and drafts payable | 23,634 | 117 | - | - |
| Derivative financial liabilities | - | - | - | - |
| Others | 5 | - | 35 | - |
| Total liabilities | 54,350 | 36,947 | 35 | - |
| Net on-balance sheet position | 57,198 | 69,121 | 586,034 | 52,025 |
| Net off-balance sheet position | (252) | (581) | (9) | - |
| Net maturity mismatch | 56,946 | 68,540 | 586,025 | 52,025 |

¹ Excludes interest cashflows which are negligible within the time horizon against which the Group manages its liquidity risk.

**APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
THE FEB GROUP FOR FY2014**

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

| | The Group | | | |
|--|---------------------------|--|------------------------------------|-------------------------------------|
| | Up to 7 days \$'000 | Over 7 days to 1 month \$'000 | Over 1 to 3 months \$'000 | Over 3 to 12 months \$'000 |
| 2013 | | | | |
| Cash, balances and placements with central bank | 2,335 | (237) | – | – |
| Singapore Government treasury bills and securities | – | – | 124,000 | 3,023 |
| Placements and balances with banks and related companies | 101,166 | 100,154 | 350,281 | 100,085 |
| Loans to non-bank customers | 3,107 | 6,898 | 13,179 | 10,863 |
| Derivative financial assets | – | – | – | – |
| Investment securities | – | – | 385 | 19,773 |
| Others | – | 123 | – | – |
| Total assets | 106,608 | 106,938 | 487,845 | 133,744 |
| Deposits and balances of non-bank customers ¹ | 33,000 | 41,022 | – | – |
| Deposits and balances of related companies, and bills and drafts payable | 24,204 | 560 | – | – |
| Derivative financial liabilities | – | – | – | – |
| Others | 16 | – | 30 | – |
| Total liabilities | 57,220 | 41,582 | 30 | – |
| Net on-balance sheet position | 49,388 | 65,356 | 487,815 | 133,744 |
| Net off-balance sheet position | (82) | (316) | (141) | – |
| Net maturity mismatch | 49,306 | 65,040 | 487,674 | 133,744 |

¹ Excludes interest cashflows which are negligible within the time horizon against which the Group manages its liquidity risk.

APPENDIX C – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE FEB GROUP FOR FY2014

Far Eastern Bank Limited and Its Subsidiary

Notes to the Financial Statements for the financial year ended 31 December 2014

32. Capital management

The Group's approach to capital management is to maintain an adequate level of capital to support business growth, taking into consideration regulatory requirements and underlying risks of the Group's business. The Group has met the regulatory capital requirements throughout the financial year

The Group is subject to the Basel III capital adequacy standards required by the MAS. The Group's Common Equity Tier 1 / Tier 1 capital comprises mainly share capital and disclosed reserves, while Tier 2 capital comprises excess of accounting provisions over Basel expected loss. Risk-weighted assets include both on-balance sheet and off-balance sheet exposures adjusted for credit, market and operational risks.

| | The Group | |
|--|------------------|---------|
| | 2014 | 2013 |
| | \$'000 | \$'000 |
| Share capital | 100,011 | 100,011 |
| Disclosed reserves | 94,876 | 95,064 |
| Regulatory adjustments | (1,203) | (1,277) |
| Common Equity Tier 1/Tier 1 Capital | 193,684 | 193,798 |
| | | |
| Provisions | 986 | 1,210 |
| Tier 2 Capital | 986 | 1,210 |
| | | |
| Eligible Total Capital | 194,670 | 195,008 |
| | | |
| Risk-weighted assets | 196,430 | 224,779 |
| | | |
| Capital Adequacy Ratios (%) | | |
| Common Equity Tier 1 | 98.6 | 86.2 |
| Tier 1 | 98.6 | 86.2 |
| Total | 99.1 | 86.8 |

33. Related party transactions

All related party transactions of the Group were done in the ordinary course of business and have been disclosed in the relevant notes to the financial statements.

34. Authorisation of financial statements

The financial statements were authorised for issue by the Board of Directors on 12 February 2015.

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

(a) Rights in respect of Capital

SHARES AND PREFERENCE SHARES

Purchase of Company's shares. 4. No part of the funds of the Company or any subsidiary thereof shall be employed by the Directors of the Company in the purchase of the Company's shares.

4A. (1) No allotment shall be made of any shares of the Company offered to the public unless the sum payable on application for the shares so subscribed has been received by the Company and the Company shall comply with the provisions of Sections 48 and 54 of the Act.

Issue of Shares. 5. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights, or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject to the provisions of the Act the Company may issue preference shares which are, or at the option of the Company are to be liable, to be redeemed on such terms and in such manner as the Company before the issue thereof may by Special Resolution determine.

Redeemable Preference Shares.

Rights of Preference shareholders as regards notices of meetings. 6. Notwithstanding the foregoing Article on any issue of preference shares, preference shareholders will be deemed to have the same rights as ordinary shareholders as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.

Issue of shares. 15. Save as the Company may by Ordinary Resolution otherwise direct all new shares shall be at the disposal of the Directors, and they may allot, grant options over or otherwise dispose of them to such persons, at such times, and on such terms as they think proper.

Power to pay commissions and brokerage. 18. The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.

VARIATION OF RIGHTS

How special rights of shares may be varied. 8. Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Act, be varied or abrogated, and preference capital may be repaid if agreed to by the holders of three-fourths of the preference shares at a General Meeting called for the purpose. To every such General Meeting all the provisions of these presents relating to General Meetings of the Company, or to the proceedings thereat, shall *mutatis mutandis* apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one third the nominal amount

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

of the issued shares of the class. Provided that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting.

Creation or issue of further shares with special rights.

9. The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

ALTERATION OF CAPITAL

Rights and liabilities attached to new shares.

11. The new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the General Meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company and with a special or without any right of voting.

Power of Directors to allot shares.

12. Subject to the other provisions of these presents the shares shall be at the disposal of the Directors, who may allot or otherwise dispose of them to such persons (including any Directors), at such times and for such consideration and upon such terms and conditions as the Directors may determine. Except so far as otherwise provided by the conditions of issue or by these presents any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and instalment transfer and transmission forfeiture lien and otherwise.

13. The Company may by Ordinary Resolution:–

Power to consolidate shares.

(a) Consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

Power to cancel shares.

(b) Cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled;

Power to subdivide shares.

(c) Sub-divided its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association (subject, nevertheless, to the provisions of the Act) and so that the resolution whereby any shares are sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have only such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

Power to reduce capital. 14. The Company may by Special Resolution reduce its capital or any undistributable reserve in any manner subject to any incident authorisation and consent required by the Act. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

(b) Rights of Shareholders in respect of Dividends

FORFEITURE AND LIEN

Notice requiring payment of calls. 30. If a member fails to pay in full any call or instalment of a call by or on the day appointed for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest and expenses which may have accrued.

Forfeiture on non-compliance with notice. 32. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect.

Surrender in lieu of forfeiture. Such forfeitures shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

TRANSMISSION OF SHARES

Rights of unregistered executors and trustees. 48. Save as otherwise provided by or in accordance with these presents, a person becoming entitled to a share in consequence of the death or bankruptcy of a member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share except that he shall not be entitled in respect thereof to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in respect of the share.

DIVIDENDS AND RESERVES

Payment of Dividends. 121. The Company may by Ordinary Resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinafter provided) no dividend shall be payable except out of the profits of the Company, or in excess of the amount recommended by the Directors.

Apportionment of dividends. 122. Subject to the rights holders of shares with special rights as to dividend (if any), all dividends shall be declared and paid according to the amounts paid on the shares in respect whereof the dividend is paid, but (for the purpose of this Article only) no amount paid on a share in advance of calls shall be treated as on the share. All dividends shall be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

Payment of preference and interim dividends.

123. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay the fixed preferential dividends on any class of shares carrying a fixed preferential dividend expressed to be payable on fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and subject thereto may also from time to time pay to the holders of any other class of shares interim dividends thereon of such amounts and on such dates as they think fit.

124. Subject to the provisions of the Act where any asset, business or property is bought by the Company as from a past date upon the terms that the Company shall as from that date take the profits and bear the losses, thereof, such profits or losses, as the case may be, shall, at the discretion of the Directors, be credited or debited wholly or in part to revenue account, and in that case the amount so credited or debited shall, for the purpose of ascertaining the fund available for dividend be paid accordingly. Subject as aforesaid, if any shares or securities are purchased cum dividend or interest such dividend or interest when paid may at the discretion of the Directors be treated as revenue, and it shall not be obligatory to capitalise the same or any part thereof.

RESERVE AND CAPITALISATION

Power to carry profit to reserve.

134. The Directors may from time to time set aside out of profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits which they may think it not prudent to divide.

Capitalisation.

135. The Company may upon recommendation by the Directors at any time and from time to time in General Meeting by Ordinary Resolution authorise the Directors to capitalize the whole or any part of any undistributable reserve or the undivided profits of the Company not required for the time being for payment of dividends upon any preference shares issued upon any special conditions whether standing to the credit of the reserve fund or funds of the Company or otherwise or in the hands of the Company and available for dividend and also to capitalize any accretions to values of profits arising from revaluation or sale of any of the Company's assets and the Directors shall give effect to such resolution accordingly and any profits so capitalized shall be apportioned among the Ordinary shareholders entered on the Register as at such date as the Directors may determine by the allocation and distribution to them in the same proportions as they are entitled to receive dividends at the said date of shares of such class or classes as the Directors may determine credited as fully or partly paid up by means of the profits so capitalized and carrying dividend from such date as the Directors may determine or so that all or any part of such capitalized funds be applied on behalf of such shareholders in paying up in full or in part any new shares of the

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

Company which shall be distributed accordingly or in or towards payment or in part payment of the uncalled liability on any issued shares or in such manner as the Directors may determine and any such distribution or payment shall be accepted by such shareholders in full satisfaction of their interest in the capitalized funds with power to the Directors to determine all other conditions of any such allocation and distribution and to make provision or not for the case of all fractions as they may think expedient and if thought fit to authorize any person on behalf of the Ordinary shareholders to enter into an agreement with the Company providing for the issue and allotment to them of such shares credited as fully or partly paid up as the case may be by means of the profits so capitalised.

(c) Rights of Shareholders in respect of Voting

GENERAL MEETINGS

Annual General Meetings.

53. The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it, and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next. The Annual General Meeting shall be held at such time and place as the directors shall determine.

All General Meetings other than Annual General Meetings shall be called Extraordinary General Meetings.

Extraordinary General Meeting.

54. The Directors may whenever they think fit, and shall on requisition in accordance with the Act, proceed to convene an Extraordinary General Meeting.

NOTICE OF GENERAL MEETINGS

Notice.

55. Subject to the provisions of the Act as to Special Resolutions and special notice at least fourteen days' notice in writing (exclusive both of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every General Meeting specifying the place the day and the hour of meeting and in the case of special business the effect of any proposed resolution in respect of such special business shall be given in the manner hereinafter mentioned to such persons (including the Auditors) as are under the provisions herein contained entitled to receive notices from the Company and at least fourteen days' notice of such meeting shall be given by advertisement in the daily press and in writing to the Stock Exchanges upon which the Company is listed. But the accidental omission to give any such notice or the non-receipt of notice by any person entitled to receive the same shall not invalidate or otherwise affect the proceedings at any such meeting. Every notice convening an Annual General Meeting of the Company shall describe the meeting as an Annual General Meeting and every notice of a General Meeting shall comply with any requirements of the Act as regards the notification to members of their rights as to the appointment of proxies. Provided always that the requirements as to notice to persons entitled to receive the same may be varied in accordance with the Act.

Special Business.

56. All business shall be deemed special that is transacted at an Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of sanctioning a dividend, the consideration

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

of the accounts and balance sheets and the reports of the Directors and Auditors, any any other documents, accompanying or annexed to the balance sheets, the fixing of the fees of the Directors, the election of Directors in place of those retiring and the appointment and fixing of the remuneration of the Auditors.

PROCEEDINGS AT GENERAL MEETINGS

- Quorum.** 57. No business shall be transacted at any General Meeting unless a quorum is present. Two members present in person shall be a quorum for all purposes.
- Adjournment if quorum not present.** 58. If within half an hour from the time appointed for the meeting a quorum is not present, the Meeting, if convened on the requisition of members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, or to such other day and at such other time and place as the Directors may determine, and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting, the members present shall be a quorum and may transact the business for which the meeting was called but no notice of any such adjournment as aforesaid shall be required to be given to the members.
- Chairman.** 59. The Chairman of the Directors shall preside as Chairman at every General Meeting, in his absence, the Deputy Chairman, and in the absence of both the Chairman and the Deputy Chairman, the Vice-Chairman shall preside as Chairman at every General Meeting. If at any meeting the Chairman, the Deputy Chairman or the Vice-Chairman be not present within fifteen minutes after the time appointed for holding the meeting or be unwilling to act, the members present shall choose one of the Directors to be Chairman of the meeting, or if no Director be present or if all the Directors present decline to take the chair, one of their number present to be Chairman.
- Adjournments.** 60. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting except business which might have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
- Notice of adjournments.**
- Method of voting.** 61. At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll be (before or on the declaration of the result of the show of hands) demanded by either:–
- Who can demand a poll.**
- (a) the Chairman (being a person entitled to vote); or
 - (b) a member or members present in person or by proxy and representing not less than one-twentieth of the total voting rights of all the members having the right to vote at the meeting; or
 - (c) a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

shares on which an aggregate sum has been paid up equal to not less than one-twentieth of the total sum paid up on all the shares conferring that right.

Result of voting. A demand for a poll may be withdrawn. Unless a poll be so demanded (and the demand be not withdrawn) a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

Votes counted in error. 62. In any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the results of the voting unless it be pointed out at the same meeting or at any adjournment thereof, and unless it shall in the opinion of the Chairman be of sufficient magnitude.

How poll to be taken. 63. If a poll be duly demanded (and the demand be not withdrawn), it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the Chairman may direct, and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demand. The Chairman may (and if so requested shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Chairman's casting vote. 64. In the case of an equality of votes, whether on a show of hands or a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

Time for taking a poll. 65. No poll shall be demanded on the election of a Chairman or on a question of adjournment. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately.

Continuance of business after demand for poll. 66. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

VOTES OF MEMBERS

Voting rights of members. 67. Subject to Article 70 and to any special rights or restrictions as to voting attached to any class of shares hereinafter issued on a show of hands every member who is present in person or by proxy shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

Voting rights of joint holders. 68. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

| | |
|--|---|
| Voting rights of lunatic members. | 69. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, <i>curator bonis</i> or other person in the nature of a committee, <i>curator bonis</i> appointed by such court (who may appoint a proxy) provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the office not less than forty-eight hours before the time appointed for holding the meeting. |
| Right to vote. | 70. Every member shall be entitled to be present and to vote at any General Meeting either personally or by proxy and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. |
| Objections. | 71. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive. |
| Votes on a poll. | 72. On a poll, votes may be given either personally or by proxy, and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. |
| Execution of Proxies. | 73. An instrument appointing a proxy shall be in writing and:– (a) in the case of an individual shall be signed by the appointer or by his attorney; and (b) in the case of corporation shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation. The Directors may, but shall not be bound to require evidence of the authority of any such attorney or officer. |
| Proxy need not be a member. | 74. A proxy need not be a member of the Company. |
| Deposit of proxies. | 75. An instrument appointing a proxy must be left at the Office or such other place (if any) as is specified for that purpose in the notice convening the meeting not less than forty-eight hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used. And in default shall not be treated as valid. |
| Form of proxies. | 76. An instrument appointing a proxy may be in the following form or a form as near thereto as circumstances shall admit or in such other form as the Directors may accept, and shall be deemed to include the right to demand or join in demanding a poll. An instrument appointing a proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed. |

APPENDIX D – PROVISIONS IN THE ARTICLES RELATING TO THE RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL, DIVIDENDS AND VOTING

FAR EASTERN BANK LIMITED

I (We) _____ of _____
being a member (members) of the above-name Company hereby appoint
_____ of _____ or failing him
_____ of _____ as my (our) proxy to vote for me
(us) on my (our) behalf at the Annual (Extraordinary) General Meeting of the
Company to be held on the _____ day of _____ 19
_____ and at any adjournment thereof. Signed this
_____ day of _____ 19 _____.

This page has been intentionally left blank.



Valuation

156 CECIL STREET
FAR EASTERN BANK BUILDING
SINGAPORE 069544

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING

**156 CECIL STREET
FAR EASTERN BANK BUILDING
SINGAPORE 069544**



Colliers International Consultancy & Valuation (Singapore) Pte Ltd

1 Raffles Place #45-00
One Raffles Place
Singapore 048616
Tel 65 6223 2323 Fax 65 6438 6826
RCB No. 198105965E



Our Ref : 2014/228

13 January 2015

VALUATION REPORT FOR FAR EASTERN BANK LIMITED

1.0 INTRODUCTION

1.1 Instructions

Our instructions are to advise on the Market Value of the under-mentioned property on an As-Is basis for corporate reporting/acquisition purposes.

We have assumed that the instructions and subsequent information supplied contain a full and frank disclosure of all information that is relevant as at the date of the valuation. We confirm that we are not instructed to verify the information. Since real estate values change due to different market circumstances, it should be noted that this value cannot be static and we recommend that the valuation be reviewed periodically.

1.2 Terms of Reference

Our valuation is on the basis of Market Value which is intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

Assumptions are necessary and are made in this valuation. Colliers International adopts assumptions because some matters cannot be calculated accurately or falls outside the scope of our expertise or our instructions. The risk that any of the assumptions adopted in this document may be incorrect should be taken into account. While all reasonable care is taken, Colliers International does not warrant or represent that the assumptions on which this valuation is based are accurate or correct.

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING



1.0 INTRODUCTION *(Cont'd)*

1.2 Terms of Reference *(cont'd)*

Pursuant to your instructions, we have inspected the property, studied the information provided, made relevant searches and are pleased to report as follows :-

1.3 **Date of Inspection** : 19 December 2014

2.0 PROPERTY PARTICULARS

2.1 **Address** : 156 Cecil Street
FAR EASTERN BANK BUILDING
Singapore 069544

2.2 **Type** : An 11-storey commercial development with a banking hall on the 1st and mezzanine level

2.3 **Land Area** : 1,383.5 sm

2.4 **Gross Floor Area** : Approximately 11,314.75 sm (based on the information provided & subject to survey)

2.5 **Lettable Floor Area** : Approximately 8,175.2 sm (based on the information provided & subject to survey)

2.6 **Year of Completion** : Circa 1970/80s

2.7 **Condition** : Average

156 Cecil Street
FAR EASTERN BANK BUILDING
Singapore 069544
Our Ref : 2014/228

Page 2

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING



3.0 TITLE/TENURE *(Search done on 8 January 2015)*

- 3.1 **Legal Description** : Lot 70W Town Subdivision 2
- 3.2 **Tenure** : Leasehold 99 years commencing 2 June 1969
- 3.3 **Registered Proprietors** : Far Eastern Bank Limited

4.0 TOWN PLANNING

- Master Plan Zoning (2014 Edition)** : "Commercial" with maximum plot ratio of 11.2+

Note : The official Master Plan/Road/Drainage Interpretation Plans and other legal requisitions have not been applied for and/or made available to us.

5.0 LOCATION

The subject property is located on the south western side of Cecil Street, near its junction with Mccallum Street and at the fringe of Raffles Place, the financial district of Singapore.

The immediate surrounding is mainly commercial in nature characterized by highrise offices and commercial buildings. Similar developments in the vicinity include Cecil House, Keck Seng Tower, Avivc Building, Bangkok Bank Building, Tokio Marine Centre, Tong Eng Building and The Octagon, amongst others. Other prominent landmarks nearby include Lau Pa Sat, and Telok Ayer Conservation Area, etc. The Raffles Place and New Downtown Marina Bay Financial Centres are just 5 to 10 minutes' drive away.

Accessibility to other parts of Singapore is enhanced by its close proximity to the Telok Ayer/ Tanjong Pagar/ Raffles Place MRT Stations, Ayer Rajah Expressway, Central Expressway, Nicoll Highway and Marina Coastal Expressway and East Coast Parkway.

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING



6.0 GENERAL DESCRIPTION

FAR EASTERN BANK BUILDING is an 11-storey commercial development with a banking hall on the 1st and mezzanine levels, offices from the 5th to 11th storeys and car parks from the 2nd to 4th storeys with about 93 car parking lots.

The subject building is erected on a rectangular site with a frontage of about 30 metres onto Cecil Street and depth of about 45 metres. The land has a flat contour and is at the access road level generally. The rear boundary of the site backs onto Stanley Street. Vehicular access to the car parks is via Cecil Street.

Vertical access within the building is via 3 passenger lifts, 1 fire lift and supplemented by reinforced concrete staircases. The building is equipped with security service and modern fire protection equipment including hose reels, fire sprinklers and fire alarm floor panel on each storey. Male/female toilets are provided on every floor.

7.0 IMPROVEMENTS

7.1 Construction

Reinforced concrete (r.c.) frame structure, r.c flat roof, plastered in-fill brick walls and r.c. floors/staircases. The subject property is fitted with glass panels/swing doors to the banking hall, anodised aluminium framed tinted glass windows, fixed glass panels and timber doors generally

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING



7.0 IMPROVEMENTS *(cont'd)*

7.2 Accommodation

- Basement level : Safe vault room, safe deposit box room, file stores, male/female toilets and maintenance office
- 1st Storey : Lift lobby, security counter, banking hall, ATM lobby, generator room and MDF room
- Mezzanine Storey : General office area, staff rest room, pantry and male/female toilets
- 2nd to 4th Storey : Car parks, toilets, pump room, stores, consumer switch room and M&E services
- 5th to 11th Storey : Lift lobby, offices, male and female toilets generally
- Roof : Chillers, pump room, cooling tower, water tanks and lift motor rooms

7.3 Finishes

- Floor : Granite/marble slabs/wall-to-wall carpet/ cement screed/ ceramic tiles generally
- Wall : Emulsion paint on cement plaster/ granite slabs/internal partitioned boards generally
- Ceiling : Ceiling boards with recessed lights fittings, water sprinklers and air-conditioner diffusers generally

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING



7.0 IMPROVEMENTS *(cont'd)*

7.4 Fixtures

The building is equipped with a centralized chilled water air-conditioning system with individual AHUs to each storey.

8.0 SERVICES

Essential public utilities and telecommunication service are connected.

9.0 OCCUPANCIES/TENANCIES

Based on the Tenancy Schedule provided as at 30 November 2014, the subject property enjoys an average occupancy rate of 98%. Majority of the space (about 77.5%) is owner occupied. The current gross monthly rental of the tenanted space is \$121,199.50/- with most of the leases from 1 to 3 years and expiring in 2015 to 2017.

10.0 PROPERTY TAX

The subject units are individually assessed by IRAS for property tax purposes. The total annual value as at 1 January 2015 is \$5,350,900/-. Property tax payable is at 10.0% per annum of the assessed annual values.



11.0 VALUATION CONSIDERATIONS

11.1 Basis of Valuation

Our valuation takes into account the Financial Reporting Standard which requires entities to measure or disclose the fair value of assets and liabilities. The Financial Reporting Standard 113 Fair Value Measurement (FRS 113) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We have taken into consideration the latest financial reporting standard and have regarded the existing use as the highest and best use, given the existing state of the property/ planning guidelines and in the absence of evidence to the contrary.

11.2 Methods of Valuation

In arriving at the market value of the subject property, we have adopted the Direct Comparison Method and Income Capitalization Approach, each being used as a cross check against the other.

In the Direct Comparison method, we have analyzed and studied recent sales evidence of similar properties in the subject development or in similar standard localities. Necessary adjustments are made for differences in location, age, tenure, floor area, condition, date of sale, amongst other factors, before arriving at the market value of the property.

The Income Capitalization Approach entails an estimate of the annual net rental income of the building at current rates after deducting all necessary outgoings and expenses which is capitalized at an appropriate rate of return to arrive at the market value. The adopted yield reflects the nature, location, tenure, tenancy profile of the property together with the prevailing property market conditions. Reference has been made to our analysis of yields in recent sale transactions of similar/comparable properties in subject/ comparable locations and recent capitalization rates generally adopted by other comparable commercial REITs in their annual reporting. The estimated net rental income takes into account the market rent, current passing rent and the likely sustainable future rental taking into account the potential demand/supply factors.

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING



12.0 VALUATION

In view of the foregoing and having taken into consideration the prevailing market conditions, we are of the opinion that the market value of the unexpired leasehold interest in the subject property assuming with vacant possession and free from all encumbrances, is as follows :-

MARKET VALUE **S\$167,000,000/-**
(SINGAPORE DOLLARS ONE HUNDRED & SIXTY-SEVEN MILLION ONLY)

This report has been prepared for the private and confidential use of the instructing parties for the stated purpose and it should not be reproduced in whole or part or relied upon for any other purpose or by any party without our written consent and authority.

A handwritten signature in black ink, appearing to read "Colliers International", written over a faint, larger version of the company name.

Colliers International Consultancy & Valuation (Singapore) Pte Ltd

KN/GSL/tc

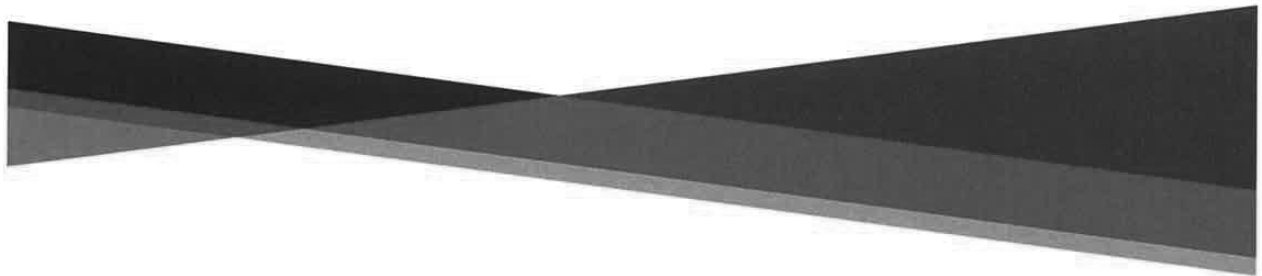
This valuation report is subject to the attached Limiting Conditions.



LIMITING CONDITIONS

1. Values are reported in Singapore currency unless otherwise stated.
2. In our valuation it is presumed that the property as currently used is not in contravention of any planning or similar regulations. We shall not be responsible if it is otherwise.
3. For obvious reasons, we do not and cannot provide information relating to government acquisitions unless the land has already been gazetted for acquisition.
4. No requisition on road, MRT, LRT, drainage and other government proposals has been made. Such information will not be tendered unless specifically requested for and we be properly reimbursed.
5. While due care is exercised in the course of our inspection to note any serious defects, we will not (and are not qualified to) carry out a structural, geotechnical or environmental survey. We will not inspect those parts of the property that are unexposed or inaccessible. Further, we will not be able to report that the building is free from rot, infestations or other defects. The building services will not be tested but will be presumed to be in good working order. We recommend that appropriately qualified persons be engaged to undertake investigations excluded from our scope of work.
6. Neither the whole nor any part of this valuation report or any reference to it may be included in any document, circular or statement or be published in any way without our prior written consent to the form and context in which it may appear. We shall bear no responsibility for any unauthorised inclusion or publication and reserve the right to claim for any loss, liability, costs or expenses (including but not limited to professional or executive time) we may suffer or reasonably incur, directly or indirectly, as a result of a breach of this clause.
7. In accordance with our usual practice, we must state that this valuation report is restricted to the client or person to whom this valuation report is specifically addressed to and for the specific purpose stated therein and to be used within a reasonable time. We disclaim any liability should it be used by any other person or for any other purpose(s) or beyond a reasonable time.
8. Where it is stated in the valuation report that information has been supplied to us by another party, the information is presumed to be reliable and we do not accept any responsibility should it be proven otherwise. The study of possible alternative development options and the related economics are not within the scope of this report unless expressly stated.
9. Our opinion of the market value of the property is free from any influence and/or point of views of any other parties.
10. Any market projections incorporated within our services including but not limited to, income, expenditure, associated growth rates and other variables are projections only and may prove to be inaccurate. Accordingly, such market projections should be interpreted as an indicative assessment of potentialities only, as opposed to certainties.
11. No allowance will be made in our valuation report for any charges, mortgages or other claims affecting the property nor for any costs, expenses, taxation or outgoings which may be involved in any transaction of the property.
12. The title to the property is presumed to be good and marketable and, unless mentioned in this valuation report, be free from any encumbrances, restrictions and other legal impediments. We accept no responsibility for investigations into title, searches and requisitions and other such legal matters.
13. Any plans included in this report are for identification purposes only and should not be treated as certified copies of areas or other particulars contained therein.
14. All Location Plans are obtained from Streetdirectory.com. Whilst we do make every endeavour to update the maps as far as it is possible, we do not vouch for the accuracy of the maps and shall not be responsible if it is otherwise.
15. We shall not be required to give testimony or to appear in court or any other tribunal or to any government agency by reason of this valuation report or with reference to the property in question unless prior arrangements have been made and we be properly reimbursed. For the avoidance of doubt, our directors and employees shall have no liability in respect of their private assets. The amount of aggregate liability of Colliers is limited to the fee for this service.

APPENDIX E – VALUATION REPORT ON FAR EASTERN BANK BUILDING



CONTACT DETAILS

TEL 65 6223 2323

FAX 65 6438 6826

Colliers International Consultancy & Valuation

Singapore Pte Ltd

1 Raffles Place #45-00

One Raffles Place

Singapore 048616

www.colliers.com

